Bloomberg Businessweek
July 4, 2022 ● SPECIAL DOUBLE ISSUE

THE HEIST ISSUE

● The lottery lawyer won their trust, then lost their mega millions ● A security company gets rebooted ● An LA crime wave that hit the rich and famous ● The biggest Bitcoin hack ever ● Faked deaths, oil scams, a crossword puzzle, AND MORE!

An Art Crime For the AGES



The trail of looted Cambodian antiquities leads from a British dealer to some of the world's most revered institutions, not all of which are eager to give them back

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Our fifth annual Heist Issue arrives at an inauspicious moment. In the US, the Supreme Court's recent decision overturning *Roe v. Wade* has left millions of women feeling robbed of their rights. Meanwhile, the Jan. 6 committee continues to unravel a frightening attempt to take over the government. And around the world, inflation is biting into incomes and earnings.

In the following pages you'll find stories about a scam targeting lottery winners; a Bitcoin hack that might be the biggest theft in history; the long-term looting of a nation's art; and Black Americans who've had land taken out from under them. While heist stories make for great beach reads and tense true-crime movies, the genre is also about righting wrongs—which makes this year's edition as timely as ever. —*The Editors*

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Cover: Photo illustration by Chris Burnett and 731; photos: Derry Moore

DO NOT LOOK HERE





‘It’s a MAS

Probably the LARGEST

BY
Matthew Campbell

PHOTO ILLUSTRATION
Chris Burnett

Deep in the Cambodian jungle, investigators are unraveling a trafficking network that brought antiquities all the way to the Metropolitan Museum of Art

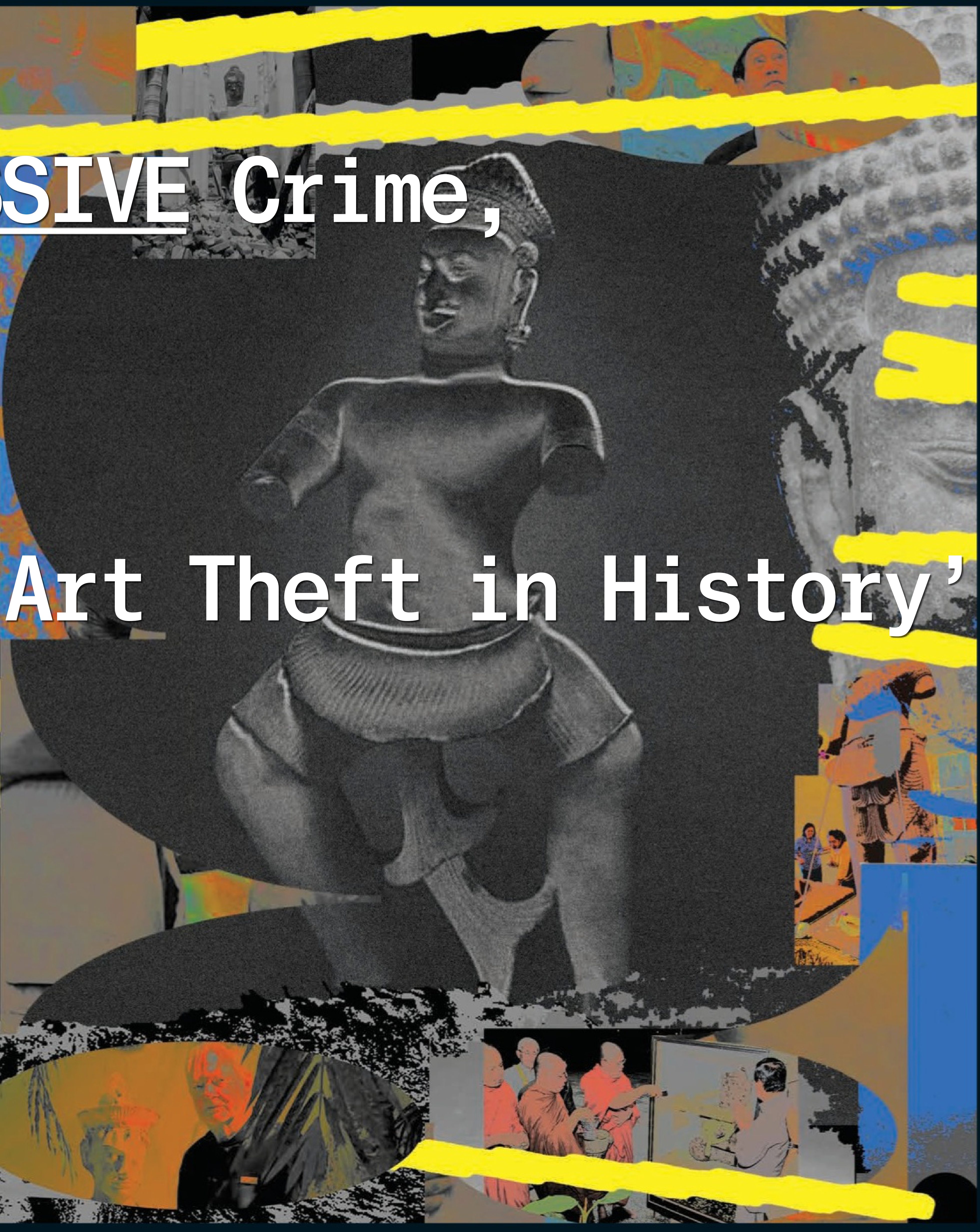
PILLAGED ANTIQUITIES

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SIVE Crime,

Art Theft in History'



The looters arrived late in the afternoon at Koh Ker, a ruined 10th century city in northern Cambodia. They made their way through scrubby jungle to Prasat Krachap, a compact stone temple dedicated to the Hindu god Shiva and his son Skanda. They walked carefully. The countryside was strewn with land mines, and on another expedition some of the looters had watched a wandering cow be blown up.

The leader of the band, a muscular man named Toek Tik, had selected Prasat Krachap carefully. As a boy, he'd been forced by the Khmer Rouge to serve as a child soldier. He escaped in the mid-1970s, disappearing into the forested slopes of a nearby mountain. While on the run he built up an intimate knowledge of ancient sites, sometimes using temples as shelters. This one, he thought, was particularly promising.

It was the autumn of 1997, near the end of 30 years of civil conflict in Cambodia. The men with Toek Tik were all marked by the violence. Some had fought, like him, with the Khmer Rouge, the genocidal communist party that had held the country from 1975 to 1979. Many were enmeshed in the subsequent contests for political control, which pitted what remained of the Khmer Rouge against more moderate socialists and forces allied with the Cambodian royal family.

The looters began digging in Prasat Krachap's central shrine, attentive to the jolt of a shovel hitting stone instead of dirt. Eventually the contours of several humanlike figures emerged. The men kept digging through the night, exposing enough of the objects to haul them out using pieces of wood as levers. One of the sculptures, about three and a half feet tall, depicted Shiva, his lips in a hint of a smile, sitting cross-legged across from Skanda, who was rendered as a small boy extending his hands upward to clasp his father's. Another statue of about the same height showed Skanda in his adult role as a god of war, sitting astride Paravani, a thick-bodied peacock, carved in such detail that each feather was distinct. Toek Tik and his men were probably the first people in centuries to lay eyes on these works.

They loaded the artifacts onto oxcarts, straining to lift the heavy stone. After days of travel on rutted country roads, they would transfer them to an antiquities broker near the Thai border. Each looter would receive about 15,000 Thai baht, a little over $400. From the border, *The Peacock* and *Skanda and Shiva*, as the two statues became known, made their way into the hands of a Bangkok-based British businessman named Douglas Latchford. Not long after receiving *The Peacock*, Latchford sold it to a collector for $1.5 million. *Skanda and Shiva* became part of his own trove of statues.



Skanda and Shiva at Latchford's home in London around 2008

For more than 40 years, Latchford was the world's foremost dealer of Cambodian antiquities. An energetic salesman, he invigorated a once-sleepy corner of the art market, securing seven-figure prices for objects that previously had modest commercial value and landing them in the collections of institutions including New York's Metropolitan Museum of Art. Today his activities are at the center of one of the most complex art market investigations ever undertaken. Government officials and lawyers in the Cambodian capital of Phnom Penh, academics in Paris, heritage advocates in Washington, and federal prosecutors in New York City are all involved, trying to unravel what they consider an historic crime: the theft of Cambodia's archaeological treasures in a campaign of plunder that continued until almost the end of the 20th century.

Thousands of pieces were taken, robbing Cambodians of relics that some view almost as physical manifestations of their ancestors. Ripped from their pedestals with picks, chisels, and even dynamite, and sometimes broken into parts for easier transport, these artifacts were dispersed around the world, repurposed to adorn museum halls and living rooms in New York, London, and Palm Beach. The investigators are working to track down and repatriate what Latchford sold, a project that has only accelerated since he died in 2020 at age 88, before he could face federal fraud and conspiracy charges.

Latchford didn't loot ancient sites himself, and it's unclear whether he ever had direct contact with those who did. Some of his fellow dealers argue he's been unfairly vilified for operating in a system that he appeared to genuinely believe was ethical. Concern with the origin of ancient works is a relatively recent phenomenon, as they point out, and it wouldn't be wrong to say that when Latchford began collecting and selling Cambodian antiquities, almost no one he interacted with would have cared where they came from. Artifacts from poor, previously colonized countries

were simply viewed as fair game.

But to those trying to understand Latchford's life and work, none of those caveats diminished his responsibility—rather, his unique position made him more culpable. Tess Davis, the executive director of the Antiquities Coalition, a Washington-based group that combats trafficking in artifacts, once described Latchford as a "Janus," for the two-faced Roman god: oriented on one side to an underworld of temple robbers and smugglers and on the other to wealthy collectors and elite museums. Without someone to move objects between the two, the business model of antiquities theft would fall apart.


Latchford with one of his statues

"He was one of the principal organizers of the mass looting of Cambodia in the second half of the 20th century," Ashley Thompson, a professor of Southeast Asian art at the University of London's School of Oriental and African Studies, who worked on Cambodian reconstruction projects during the 1990s, said in an interview. "It was an open secret. It was an awful, awful thing to be doing, and we knew there was a man in Bangkok who was doing it."

On the back flap of *Adoration and Glory*, a major catalog of Cambodian artifacts Latchford published in 2004, he described himself as an "adventurer-scholar." The truth was more prosaic. Partial to elegant suits, five-star hotels, and first-class travel, Latchford didn't spend much time trooping through jungles in search of lost treasures. Born in British-ruled Bombay, where his father managed a bank, he'd come to Thailand in the mid-1950s, working for a company that imported cosmetics, chemicals, and other goods, eventually focusing on the pharmaceutical business. Latchford would later say he'd been at a dinner party hosted by an art adviser to the tobacco heiress Doris Duke when he saw his first statue from Cambodia. The moment changed his life. "Greek and Roman sculpture is wonderful, but I responded to this on another level," he told an interviewer for *Apollo* magazine. Latchford immediately bought a piece of his own, for just 18,000 baht, then another, then many more.

He was hooked even before his first trip to Angkor, in 1961. The ancient city was the capital of the Khmer Empire, which by the 12th century encompassed present-day Cambodia as well as much of Thailand and Vietnam. Its rulers were heavily influenced by Hinduism—it wasn't until after the 1200s that Theravada Buddhism became Cambodia's dominant religion—and they demonstrated their power by commissioning ever-grander temples and religious statuary, carved in stone or cast in bronze by corps of artisans. Angkor represented the height of the Khmer kings' ambitions, and it's hard to imagine what it must have been like for Latchford to experience the site as it was when he first saw it: remote, overgrown, and almost devoid of visitors, a window into a lost world of heroic warriors and deep religious belief.

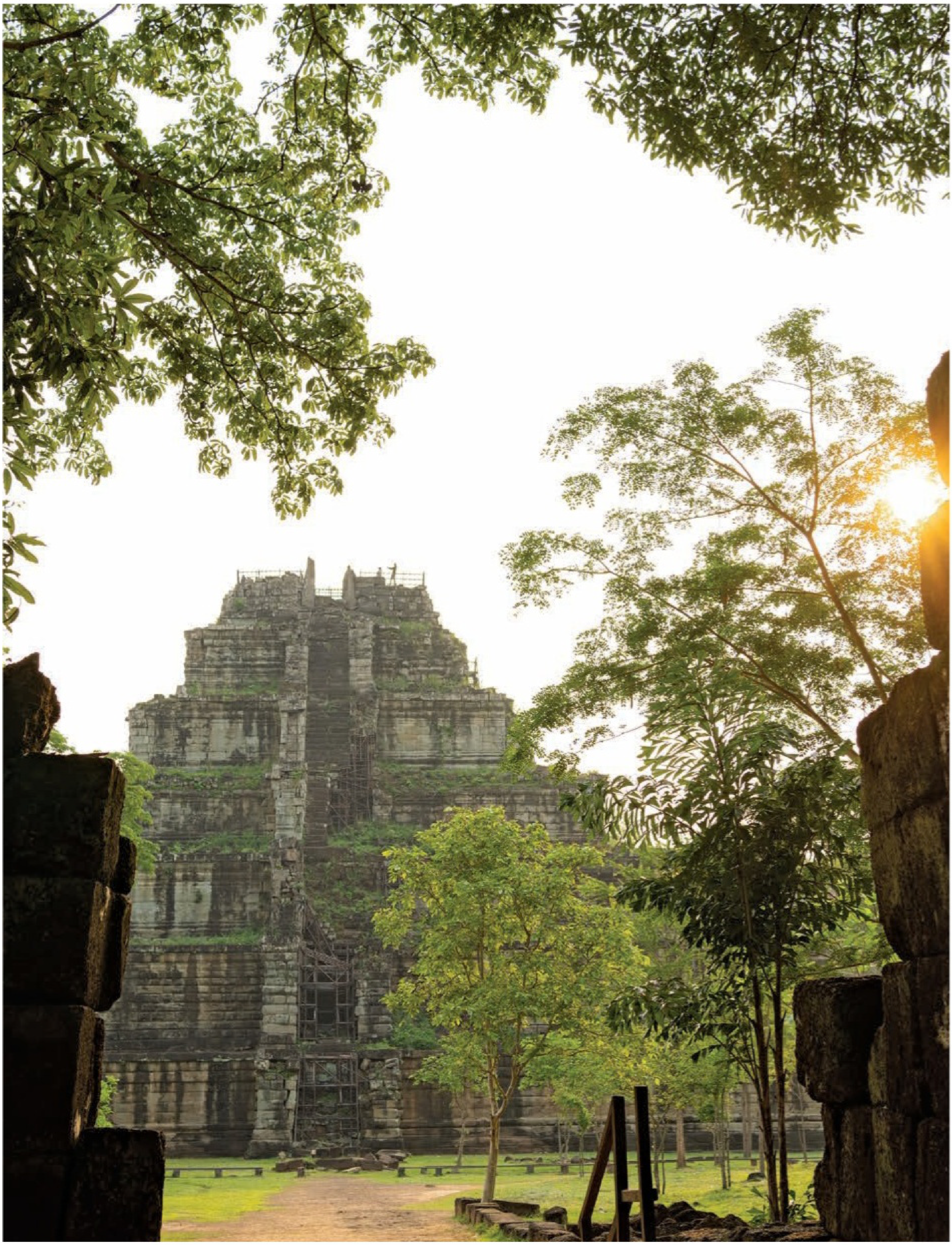
In Bangkok, Latchford accelerated his acquisitions, enabled by the growing success of a drug company he founded and, later, investments in the city's booming real estate market. His collecting inspired comparisons to a man he admired: Jim Thompson, the swashbuckling American spy who became a noted connoisseur of Asian art before he disappeared without a trace in 1967, earning a permanent place in Bangkok lore. By the mid-1970s Latchford qualified as a significant collector and dealer, sometimes working in collaboration with Spink, a London auction house later acquired by Christie's. His condominium, in a building he'd developed himself in the heart of the Thai capital, was essentially a museum of Khmer statuary. There he welcomed a steady stream of brokers offering artifacts for sale, some of them freshly obtained from runners who'd brought objects across the border. He kept more pieces in his second home, a luxurious apartment in London's Mayfair district.

Meanwhile, Latchford was developing a hobby: funding the operations of the Thai national bodybuilding association. He served for a time as its president and played "a vital part in Thailand winning many gold medals" at international competitions, according to current head Sugree Supawarikul. As a result, Latchford was surrounded for much of his life by a shifting cast of young Thai bodybuilders.

> *"It was an awful, awful thing to be doing, and we knew there was a man in Bangkok who was doing it"*

Although he had a brief marriage to a Thai woman with whom he had a daughter, Julia, he became more open about his sexuality over time, and some of the bodybuilders may have been his lovers. Others served as drivers or personal assistants, sometimes trusted with traveling to the Cambodian border to examine statues being offered for sale. In the *Bangkok Post*, Latchford boasted that his "bodybuilder chef" had ▶

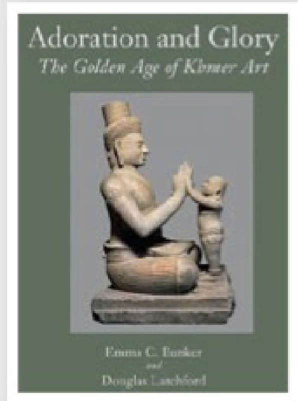
PREVIOUS SPREAD ILLUSTRATION PHOTOS: AP PHOTO; GETTY IMAGES; DERRY MOORE; REDUX; THE METROPOLITAN MUSEUM OF ART; SHUTTERSTOCK (2); U.S. ATTORNEY'S OFFICE. THIS SPREAD: DERRY MOORE (2)



A temple at Koh Ker

◀ won a gold medal for his class at the Asian championships. Latchford was "a visual man," a longtime friend told me, asking not to be identified because of the stigma of being associated with him. For some of the same reasons Latchford was drawn to Khmer artworks, "he just liked to have these guys around to look at."

For much of Latchford's adult life, the country whose heritage obsessed him was effectively off-limits. A civil war began in Cambodia in 1967, culminating with the victory of the Khmer Rouge eight years later. Their leader, Pol Pot, used his newfound power to initiate one of the darkest periods of the 20th century. Agriculture was collectivized, leading to widespread famine, while residents of cities were marched into the countryside and forced to work under slavelike conditions. Militants targeted anyone suspected of connections to capitalism or foreign cultures or of deviating from the Khmer Rouge's extreme interpretation of Marxism. More than 1.5 million people were killed. The party's rule ended in 1979, when invading Vietnamese forces installed a proxy government that restored a degree of normality. But the Khmer Rouge continued to fight, launching a stubborn insurgency.



Adoration and Glory

Archaeologists and collectors couldn't easily visit the Cambodian countryside, which was strewn with millions of land mines. Looters who knew the terrain could operate more easily, particularly after the violence wound down in the 1990s. Today, trafficking experts view the period as something of a golden age for antiquities theft. Looting was so widespread that the Conservation d'Angkor, a storehouse of artifacts in Siem Reap, Cambodia's second city, was attacked at least three times. On one occasion, a group of as many as 300 raiders took 31 statues, killing a guard in the process. While Angkor Wat and its environs were eventually secured, few other temples were, and thieves secreted thousands of Khmer objects out of the country, leaving shattered pedestals and empty alcoves.

For Cambodians, the cultural damage was immense. "When I see the stone destroyed, I ask the question, 'What kind of greed and ignorance would drive someone to destroy this?' " said Phoeurng Sackona, Cambodia's minister of culture and fine arts, who's been closely involved in efforts to track down stolen objects. "But at the same time, I need to understand the situation." Decades of conflict had devastated the economy, and there were few legitimate job opportunities. The international market for Khmer antiquities was robust, creating incentives for theft that were hard for some to resist.

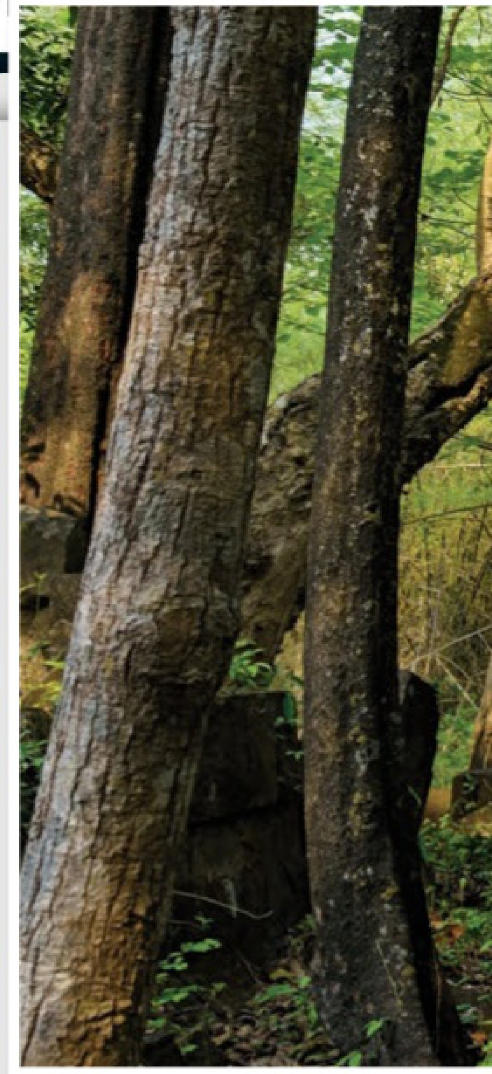
Stability finally returned in the early 2000s under the authoritarian leadership of Hun Sen, a onetime Khmer Rouge soldier who'd switched sides, serving in the Vietnamese-backed government of the 1980s before prevailing in the power struggles that followed. (Hun Sen remains prime minister today, leading a government that human-rights groups condemn for intense repression of political opponents.) Cambodia was growing more accessible, as long as you didn't wander unescorted in heavily mined rural areas, and Latchford became a regular visitor. In 2002 he made a trip to Koh Ker, helicoptering in with Emma Bunker, a Colorado-based researcher with whom he worked closely.

The site was the Khmer Empire's capital for less than 20 years, a brief pause in the dominance of Angkor. But during that time, Koh Ker's sculptors developed a style distinct from the stoic, angular statues seen in other Cambodian sculpture. Their figures are almost sensual, with full lips set in expressive faces. Some are depicted in motion, as though they might leap from their pedestals at any moment. Latchford found them captivating and bought them when he could. Some he sold to wealthy collectors, such as Netscape co-founder James Clark, who spent $35 million on more than 30 pieces from Latchford. Investigators believe that others ended up in the Palm Beach home of the pipeline tycoon George Lindemann. (Lindemann died in 2018; his son didn't respond to requests for comment.)

Adoration and Glory, which Latchford co-wrote with Bunker, hinted at just how many significant Cambodian statues had passed through his hands. The book featured finely staged photographs of almost 200 works, largely resident in Western museums or private collections; many, it appeared, either belonged to Latchford or had moved through his operation at some point. It also included forewords from three of Cambodia's most senior cultural officials, whom he'd cultivated by donating money to spruce up the National Museum in Phnom Penh. One of the officials, the museum's then deputy director, Hab Touch, marveled at the breadth of what Latchford had assembled. "The first time I saw the photographs," he wrote, "I realized that while I work with Khmer art every day I had only been familiar with a small proportion of what exists."

In 2007 a British stone expert named Simon Warrack was working at Koh Ker, collecting data for potential conservation efforts. As he walked around Prasat Chen, one of the ancient city's major temples, he spotted a pair of upright stone feet on the ground. Warrack was intrigued enough to take some photos, but he didn't give much more thought to the find. ▶

PHOTOGRAPH BY THOMAS CRISTOFOLETTI FOR BLOOMBERG BUSINESSWEEK



◀ Not long afterward, in a library in Siem Reap, he came across *Adoration and Glory*. "Suddenly, turning over the page, and there was this big, huge statue with no feet," Warrack told me. "It tripped something in my mind." The statue, a spectacular 5-foot-tall "temple guardian," was listed as belonging to the Norton Simon Museum in California. Warrack took a photo of the page, then merged it in Photoshop with a picture of the feet from Koh Ker. "It fitted at all three points," he said, "which is more than a coincidence…there was absolutely no doubt."

By leaving the feet behind, looters had allowed Warrack to locate a crime scene: the spot from which one of the most significant Khmer statues in any foreign collection had been hacked away. He wrote a memo that was sent to Unesco, the United Nations agency responsible for cultural heritage and the overseer of a 1970 treaty, accepted by more than 100 countries, that lets governments demand the return of objects removed without authorization after it entered into force. Warrack suggested that a more detailed investigation was in order, but Unesco's efforts didn't get very far.

Coincidentally, Eric Bourdonneau, a French archaeologist who has conducted some of the most detailed research at Koh Ker, was interested in the same pair of feet as Warrack and another pair found just inches away. Bourdonneau believed the Norton Simon statue, which had been in its collection since the 1970s, to be a representation of Bhima, a protagonist of the *Mahabharata*, the Sanskrit epic. That meant the other feet probably belonged to Duryodhana, a warrior who fights Bhima in one of the poem's key battles. But Bourdonneau had no idea where that Duryodhana statue had gone. So he was astonished when he saw the promotional materials for an auction that Sotheby's was holding in New York in the spring of 2011. They showed a 5-foot-tall stone warrior in the distinctive Koh Ker style—the Duryodhana. It had been purchased in the 1970s by a Belgian businessman and been consigned for sale by his widow, with an estimated price of as much as $3 million.

At the time, attitudes toward the origins of artworks in international collections were in flux. Prompted by demands for the restitution of pieces stolen by the Nazis, museums and auction houses had by the 1990s begun to require more detailed provenance information, ideally establishing a full chain of ownership. In theory, 1970, the year of the Unesco treaty, was considered a cutoff for dealing in objects such as Cambodian statues. If a seller couldn't prove that an artifact was abroad earlier or that a home government had granted explicit permission for its removal, its sale would be illegitimate. In practice, that constraint was sometimes ignored, particularly for works from poor countries without the resources to press their claims. In a 2011 study, the Antiquities Coalition's Davis analyzed 377 Khmer pieces put up for auction at Sotheby's from 1988 to 2010. She found that 71% had no published provenance; for the rest, the information was often fragmentary.

Still, some law enforcement agencies were beginning to take a closer interest in looted art, among them the Department of Homeland Security, which has jurisdiction over imports to the US. After Bourdonneau sent Unesco a report identifying the Sotheby's warrior as the lost Duryodhana, DHS agents contacted the auction house, warning that the statue could be stolen property. The piece was pulled the same day it was supposed to go on the block—though Sotheby's head of compliance at the time, Jane Levine, said in a letter to Unesco that she was confident the Duryodhana was out of Cambodia prior to 1970 and that Sotheby's and its client didn't intend to repatriate it. If the Cambodian government wanted it back, it was welcome to "purchase the sculpture in a private sale."

Federal prosecutors in New York disagreed with Sotheby's claims. They launched a forfeiture action, which allows the government to seize property it believes is linked to illegal activity, and demanded that the auction house relinquish the Duryodhana so it could be returned to Cambodia. The prosecutors ultimately claimed it had been looted in the early 1970s and would have been protected by Cambodian law even before that date. After being taken out of the country, they said, the Duryodhana and its counterpart, the Norton Simon's Bhima, were "obtained by a well-known collector of Khmer antiquities" who knew they'd been stolen from Koh Ker. "The collector then attempted to sell [the Duryodhana] on the international art market," consigning it to a British auction house, which ultimately found the Belgian buyer.

It was clear to anyone with the relevant background that the "collector" was Latchford. He told the *New York Times* that the prosecutors were mistaken, saying he'd never actually owned the Duryodhana. Yet whatever his connections to that specific object, he was on the radar of US law enforcement in a way he'd never been before.

When, in 2012, the US Department of Justice needed to hire a consultant in Cambodia for the Duryodhana case, the natural choice was Brad Gordon. The head of a firm that worked



Gordon at Koh Ker

PHOTOGRAPH BY THOMAS CRISTOFOLETTI FOR BLOOMBERG BUSINESSWEEK

with investors trying to get a piece of the country's economic revival, Gordon was one of a tiny number of internationally connected attorneys in Phnom Penh. The American prosecutors wanted him to supplement evidence of the theft that they were accumulating through corporate records and interviews in the US. Intrigued by the challenge, Gordon began driving around the Koh Ker region with a translator, looking for people who remembered the Duryodhana being removed. He eventually found a few, including a man who said he'd seen it on an oxcart in 1972, when he was a teenager. The man said the date was fixed in his mind because he'd been involved in a love affair with a girl from another village who was later killed by the Khmer Rouge.

This witness had become the caretaker of a Buddhist temple not far from the Koh Ker ruins, and Gordon visited periodically, hoping to find older residents who might be willing to talk. There, he was directed to another local man, who supposedly knew a great deal about ancient sites. Gordon didn't get an exact address for him, just a name and a general location, so he went door to door with his translator. At perhaps the sixth house, a woman answered the door and confirmed that the person Gordon was looking for was inside. The translator told a white lie, claiming Gordon wanted to discuss buying land in the area—and also happened to be interested in antiquities. Gordon was invited in and introduced to a middle-aged man. His name was Toek Tik.

After they started talking, Gordon pulled out a copy of *Adoration and Glory*. When Toek Tik saw the book, which had an image of *Skanda and Shiva* on the cover, his face lit up in excitement. "I know this, I know this!" he exclaimed, calling his wife over. He flipped through the pages, smiling with recognition.

Toek Tik was cagey about how he'd become so familiar with Khmer Empire statuary, but Gordon had his suspicions. After some guarded conversation, he and the translator departed, promising to keep in touch about the antiquities in the book. "We didn't realize until years later," Gordon told me, "that he'd stolen so many of them." They met a couple more times, Toek Tik gradually revealing more of his past. But he seemed too young to have been involved with the Duryodhana theft, which was Gordon's priority.

The case back in New York was gathering momentum. In May 2013 the Metropolitan Museum agreed to return the *Kneeling Attendants*, a pair of sandstone figures flanking the entrance to its Southeast Asian galleries, after Cambodian officials presented evidence that they'd been taken from the same location at Koh Ker as the Duryodhana. Later that year, Sotheby's abandoned its effort to hold on to the Duryodhana itself, agreeing with prosecutors to repatriate the statue. Within months the Norton Simon said it would return the Bhima, too. All would be put on display in Cambodia's National Museum.

In the antiquities community, Latchford was becoming indelibly associated with the looting of Koh Ker. In addition to his apparent role in the Duryodhana sale, he'd donated both the torsos and one of the heads of the *Kneeling Attendants* to the Met. Some curators and dealers had grown wary of doing business with him, and heritage activists started referring to him with a derisive nickname: "Dynamite Doug," for the rumored means by which his statues were removed from temples.

Aware that his reputation was at risk, Latchford opened informal talks about returning some part of his personal collection to Cambodia. The Cambodians quickly concluded that he wasn't serious. "He was quite defensive at that time," recalled Kong Vireak, a former National Museum director who was involved in the discussions. "The first request from him was for the government of Cambodia to make a public declaration that he was clean. He would do a small return, maybe three objects. And we said, 'No, not fair.' "

At the same time, Latchford kept making sales. One client was Harald Link, a Thai-German businessman who leads B. Grimm Group, one of Thailand's largest conglomerates. In emails from the period viewed by *Bloomberg* ▶

◀ *Businessweek*, Latchford peppered Link with sales pitches for statues. The messages seldom mentioned provenance; instead, Latchford focused on aesthetics, sometimes in slightly creepy terms. "Just look at that mouth," he wrote in 2016 of one statue, a bare-breasted woman. "But not before just going to bed, you will dream of her all night!!!"

According to a sales invoice from 2018, Link paid 30 million baht—about $870,000—for a 4-foot-tall stone sculpture of a kneeling Khmer queen, which Latchford dated to the 12th or 13th century. A document from the following year recorded the sale to Link of another kneeling female figure, this time in bronze, her palms pressed together as though in prayer. (In an interview, Link said he was unaware of the allegations against Latchford at the time of the transactions.)

DHS agents and prosecutors kept drawing closer to Latchford. Just before Christmas 2016, a prominent Manhattan antiquities dealer, Nancy Wiener, was arrested on charges of possessing stolen property. Wiener's late mother, Doris, had been the grande dame of New York's Asian art scene, and her Upper East Side gallery was one of the city's best sources for ancient works. The criminal complaint against Wiener indicated that prosecutors viewed her as part of a larger network, describing interactions with "Co-Conspirator #1," who was clearly Latchford, and "Co-Conspirator #2," who was clearly his longtime collaborator Emma Bunker. According to the complaint, both had worked with Wiener to falsify provenance information.



Toek Tik with archaeologists in fall 2021

Latchford was in declining health, suffering from Parkinson's disease and heart problems. He could no longer travel easily and needed help from nurses with even basic tasks. In a 2018 memo to the US ambassador in Phnom Penh, Gordon—who was now advising the Cambodian government on its discussions with Latchford—explained that the dealer's advancing age and fear of prosecution opened "a rare and perhaps singular opportunity" to get back a huge collection of stolen antiquities. In exchange, Latchford wanted assurances he wouldn't face US charges and, if possible, a similar guarantee for Bunker. (Bunker died in 2021, and her children didn't respond to requests for interviews about her work with Latchford.)

Cambodia's Ministry of Culture was willing to request leniency for Latchford from the US, as long as he returned everything he owned and provided detailed information about past sales. But he was a mercurial negotiating partner, according to several people involved. One day, he might seem willing to hand everything over. The next, he would change his mind, insisting he was willing to part with only a few statues.

Seeking leverage, Gordon began making regular trips to meet with Toek Tik, securing a promise from the government that he wouldn't be prosecuted for what he revealed. Over dozens of meetings, Toek Tik recounted a prolific career as a looter. He'd entered the business in the 1980s, working initially on his own and with little knowledge of what to steal or how to sell it. Gradually he built a loose network of hundreds of men who could be called upon to uproot artifacts and move them toward the border. There, Toek Tik would pass the objects to one of a few brokers, who'd get them into Thailand. He estimated that he'd taken more than a thousand pieces, developing a working knowledge of major Khmer Empire styles. When Gordon asked who ultimately bought them, Toek Tik answered without hesitation: The top buyer was a foreign collector in Bangkok, "Sia Ford"—Latchford. (*Sia* is a Thai term for a wealthy businessman.)

Gordon was never able to put Toek Tik's account to Latchford. In the summer of 2019 Latchford's health deteriorated rapidly, and he was soon in intensive care at Bumrungrad hospital in Bangkok. He was still there, intubated and barely able to communicate, when the indictment he'd feared was unsealed. In the document, US prosecutors finally stated what earlier legal filings had suggested: that Latchford had "engaged in a scheme to sell looted Cambodian antiquities on the international art market," falsifying the origins of statues to effectively launder them into American collections.

They cited emails he'd sent to Wiener as evidence that he'd been dealing in stolen statues long after he should have known it was improper. In 2006 he'd sent the New York dealer a photo of a bronze head, explaining that it "was recently found" in northeastern Cambodia. "They are looking for the body, no luck so far, all they have found last week were two land mines!!" he wrote. "What price would you be interested in buying it at?" In another message, he could barely contain his excitement about a statue of Buddha, dug up so recently it was still covered in dirt: "Hold on to your hat, just been offered this 56cm Angkor Borei Buddha, just excavated, which looks fantastic. It's still across the border, but WOW."

To disguise the origins of such objects, prosecutors claimed, Latchford would create fake provenance records or invoices.

On one occasion he'd instructed a collector in Singapore to prepare false documentation for a piece he was shipping there, "mentioning it has been in your collection for the past 12 years." The piece was then sent to Wiener with a doctored invoice and letter of provenance, obscuring the connection to Latchford. To facilitate other sales, prosecutors said, he'd provided letters of provenance supposedly supplied to him by a collector who might claim to have purchased a piece in Vietnam or Hong Kong in the 1960s, whether or not that was true. Latchford kept doing this even after the ostensible collector, identified by heritage activists as a Hong Kong businessman named Ian Donaldson, died in 2001.

Although the US government explored options for extraditing Latchford to New York to face the charges, he was much too ill to stand trial. He remained under 24-hour care before dying, from organ failure, in August 2020.

After Latchford's death, his daughter, Julia, moved quickly to conclude an agreement with the Cambodian government to repatriate the hundreds of Khmer artifacts owned by the family. According to Charles Webb, a British consultant who advised on the deal, she'd concluded that her father had misled her about the nature of his business, and she viewed a complete return of the objects as the only way to be free of the controversy surrounding him. (Julia declined to comment for this story.)

Gordon was pleased with the accord, but he was just as interested in something else Julia agreed to provide: access to Latchford's records of transactions involving dealers, collectors, and cultural institutions all over the world, among them the Met and the British Museum. Still, to get those statues back, Cambodia would need evidence that would be harder for their current owners to ignore, such as eyewitness testimony of recent looting and archaeological remnants corroborating those accounts. Tracking down and reclaiming all the works would be a huge endeavor, but Gordon, who was working pro bono for the Cambodian government, had become obsessed with getting it done. Collectively, "it's a massive crime," he said, "probably the largest art theft in history."

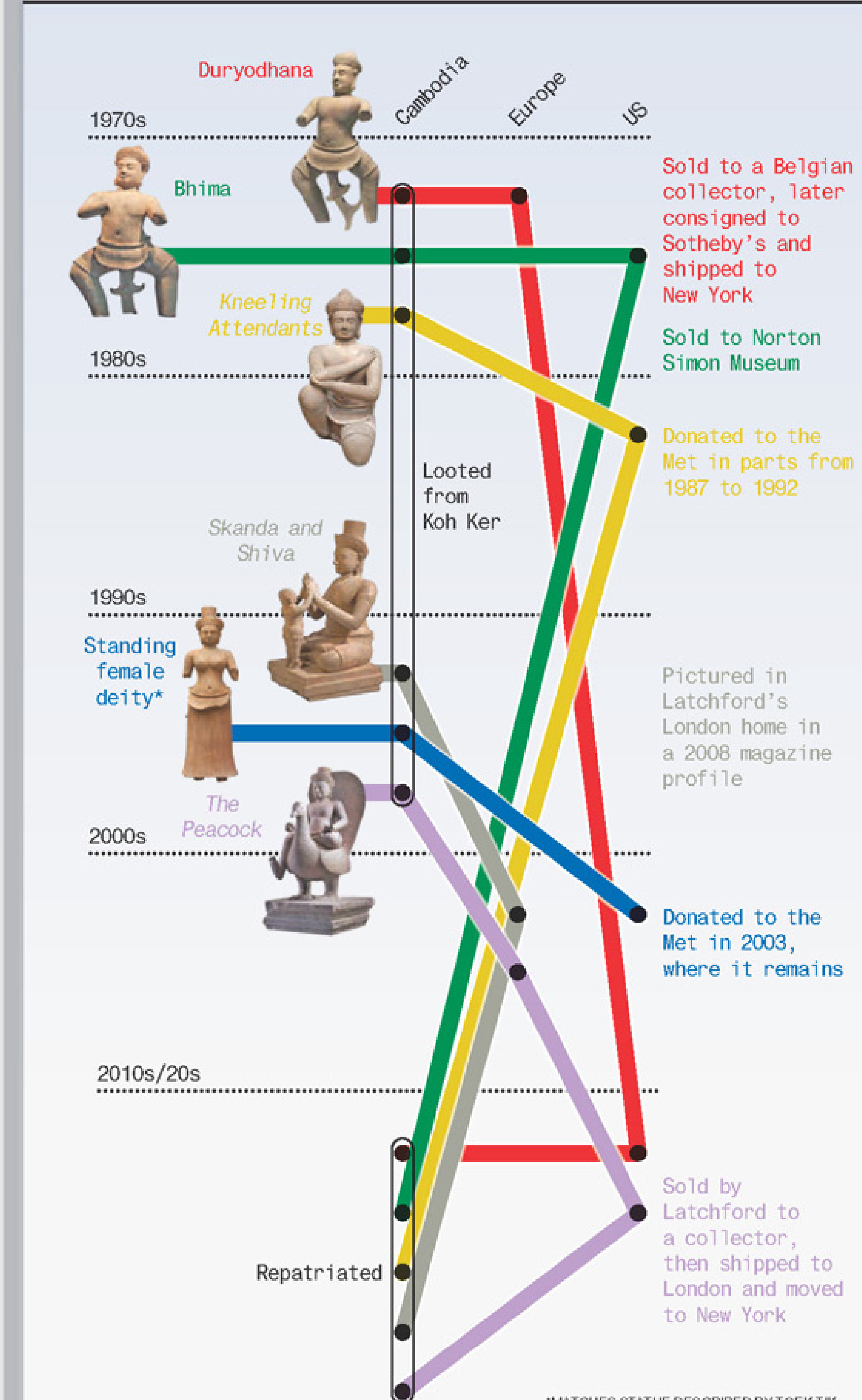
Toek Tik was still Gordon's best source. Together they went through *Adoration and Glory* and Latchford's other books page by page, and Toek Tik drew maps of precise locations where he said he'd taken statues. He accompanied Gordon and Cambodian researchers the lawyer had hired to more than 20 temples, going over what he remembered. In return, Gordon helped Toek Tik out when he could, for example by covering medical costs. Despite those favors, Gordon didn't think Toek Tik was revealing what he knew for material gain. "He was absolutely in love with the idea that we were bringing back these statues," Gordon recalled. "He felt guilty."

In late 2020 a group of Cambodian government archaeologists began a project at Prasat Krachap that would test Toek Tik's recollections. After he showed them the spot in the temple's central shrine where he remembered ▶

BW Scan

From Cambodia to The Collectors

How key pieces made their way out of the jungle and into foreign collections—and, in some cases, back home



*MATCHES STATUE DESCRIBED BY TOEK TIK

Pause

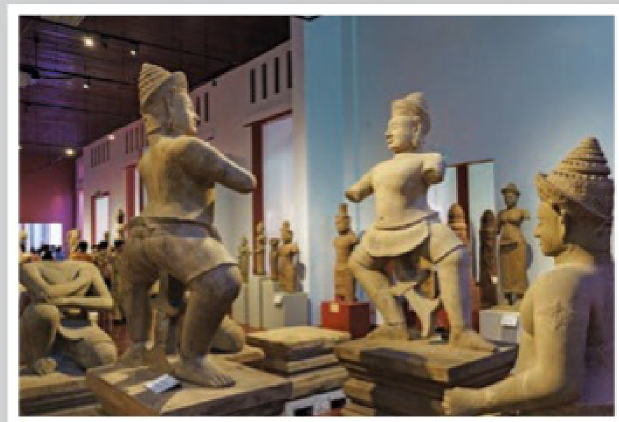
TOEK TIK: THOMAS CRISTOFOLETTI FOR BLOOMBERG BUSINESSWEEK. GRAPHIC: THE METROPOLITAN MUSEUM OF ART; US ATTORNEY'S OFFICE (2); PETER HORREE/ALAMY; JAE C. HONG/AP PHOTO; MATTHEW HOLLOW/ROYAL GOVERNMENT OF CAMBODIA

◀ taking *The Peacock* and *Skanda and Shiva*, the team began excavating, removing and cataloging every fragment they found. Among them were a stone arm and ear matching pieces of the childlike Skanda that had been replaced after it was dug up. The archaeologists also found a large base that appeared to have been for *The Peacock*. Soon afterward, US prosecutors would cite the excavation and Toek Tik's testimony in a forfeiture filing, calling for the confiscation of the piece.

Toek Tik's information was evidently reliable, and Gordon started spending much of his time with the former looter. A few months later, Toek Tik began complaining of back pain, which was making it hard for him to sit for extended conversations or make long drives to remote temples. Gordon arranged for him to see a doctor, who delivered shocking news: Toek Tik had advanced pancreatic cancer. Gordon asked specialists in Singapore to evaluate the case, but they told him there was no point taking Toek Tik out of the country for treatment. All anyone could do was try to ease his pain.



Skanda and Shiva in April at the National Museum after its return



The Bhima and Duryodhana, also at the National Museum



Phoeurng Sackona at the National Museum in Phnom Penh

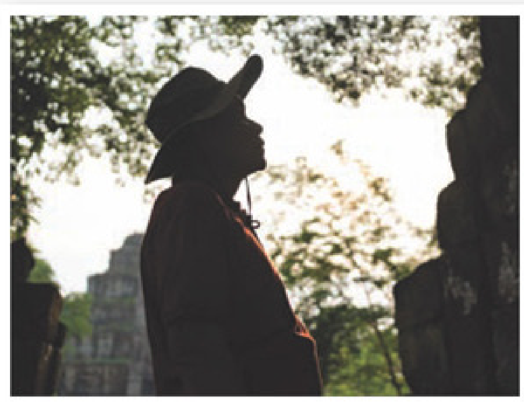
"From there, it sped up," Gordon told me. Toek Tik wanted to finish sharing what he knew, and "we stopped doing everything else and just spent every day interviewing him." Sometimes, Toek Tik could manage to talk for a whole morning; on other days, just an hour, lying on the floor because it hurt too much to sit. Instead of taking him to temples, Gordon projected Google Maps images onto the wall, trying to jog his memory about each site. They kept going until last November, when Toek Tik contracted Covid-19. He died soon after. "We just didn't have enough time," Gordon said.

Even so, there's now a gradual flow of artifacts returning to Cambodia, thanks in part to Toek Tik's testimony. In a deal announced early this year, Clark, the Netscape co-founder, agreed to relinquish the $35 million worth of statues he'd bought from Latchford, after DHS agents showed him evidence that they were looted. A different collector, who has remained anonymous, agreed to give up *The Peacock*, which is now awaiting shipment to Phnom Penh, and the Latchford family has returned *Skanda and Shiva*. Cambodia is also asking a long list of cultural institutions to prove that their Khmer objects were acquired legitimately. The statues might be distant from the day-to-day concerns of most Cambodians, but they retain considerable spiritual significance, even in a country now dominated by Buddhism rather than the Hindu creeds that were common under the Khmer Empire. "For us it's the heritage of a thousand years of ancestors. We see that material and also a spirit," said Phoeurng Sackona, the culture minister. "Many collectors love the statues, but it's physical, not spiritual."

Gordon is still traveling the country looking for former looters, who the Cambodian government has pledged not to prosecute if they share information. Almost all of the interviewers

he works with are women; they tend to have an easier rapport with the looters, many of whom are old enough to be their grandfathers. Gordon's team has built a database of more than 2,000 likely looted objects, a significant proportion of them with connections to Latchford—so many that, from Gordon's perspective, they're just getting started. "Some days I feel like I understand his network and others not at all," he said.

In early March, I traveled to Koh Ker with Gordon and his team, hoping to see their work firsthand. At Prasat Krachap, a crew of archaeologists in hard hats and matching blue polo shirts were partway through a fresh excavation, looking for statue fragments. They'd dug down several feet, forming a neat trench around the temple's central chamber. Some of the artifacts found there were laid out beneath a metal canopy: octagonal stone columns decorated with intricate patterns, plus an elaborately carved roof pediment, depicting a figure that resembled Skanda atop a peacock—similar to the statue that had been taken from just a few feet away. The head of the excavation team, Pheng Sam Oeun, said he hoped eventually to repair some of the damage caused by temple robberies. "When the looters dig, they weaken the foundation, and water can get in and cause erosion," he explained. "We need to excavate, strengthen the structure."


Blue Tiger at Koh Ker

Outside a hulking, zigguratlike edifice nearby, Gordon showed me the product of another of his team's recent efforts. In Toek Tik's interviews, he'd described the theft of three statues from the complex: two female figures and one male, standing in a row. Gordon sent Toek Tik's sketch to an archaeologist, who thought one of the females resembled a piece on display in the Met: a "standing female deity" donated in 2003 by Nancy Wiener's mother, Doris.

The Cambodian government approved an excavation, which was conducted in October 2021. Archaeologists dug in the center of a towering square chamber built from rough-hewn blocks of laterite, an iron-rich material common in tropical climates. At its base, they exposed a rectangular stone pedestal and saw something unmistakable at its center: a sculpted foot, hacked off cleanly at the ankle. The archaeologists removed the foot and the stone blocks around it, which were now sitting in the sun a short distance away. After comparing it to the Met piece, Gordon and his colleagues were confident they matched. "Isn't that crazy?" he asked, chuckling. Cambodia has asked the Met for detailed provenance records for all its Khmer objects; a spokesperson for the museum said that it's sharing information and "looking forward to constructive dialogue" with the country.

Before he died, Toek Tik introduced Gordon to many of the looters he worked alongside. We met with one of them on a hotel terrace, not far from the entrance to the Koh Ker complex. Gordon was reluctant to reveal his name; as a precaution, he refers to living looters with code names. This man, in late middle age with thinning hair and a sun-worn face, was Blue Tiger. Through a translator, Blue Tiger explained that he'd begun stealing statues in 1993. He knew the area's temples well. Decades earlier, his grandfather had worked with a group of Frenchmen who were hunting for artifacts.

Blue Tiger worked as a full-time looter under Toek Tik for about four years, including in the autumn 1997 operation that unearthed *The Peacock* and *Skanda and Shiva*. He and his colleagues ranged around the countryside, usually in groups of up to 12 people. Once, two crews of looters apparently strayed onto each other's turf and began shooting with the Kalashnikov rifles they carried for protection. Toek Tik heard about the battle and told them by walkie-talkie to stop: Both teams were part of the same operation, it turned out.

Sometimes, instead of removing an object right away, Blue Tiger's team would take a photograph, which was then passed up the chain of brokers and buyers connecting looters in the field to foreign markets. If word came back that someone wanted the piece, Blue Tiger would go back and dig it out. "I knew from my team that all the objects went to Thailand," he said. "Sia Ford was the No. 1 buyer." At the time, he never felt as though he was doing something wrong. "But now I feel so sorry. Now I know that these things belong to Cambodia. They were made by our ancestors."

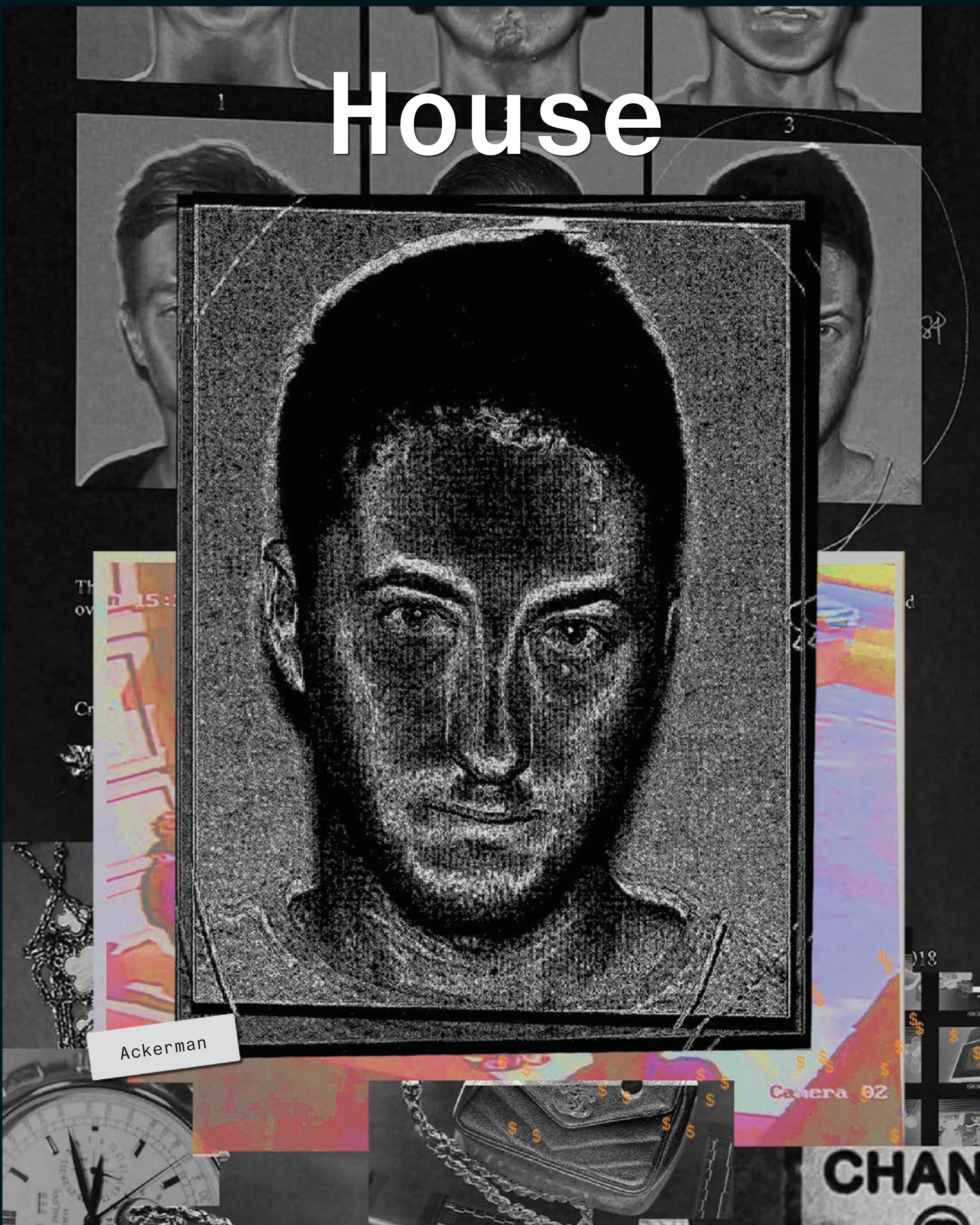
I asked him if he remembered the largest work he'd taken. It was a stone figure from a temple not far away, he replied. Standing as much as two meters high, the statue was a male with a third eye, a trait of Shiva, and four arms, like Vishnu. Blue Tiger seemed to be describing a *harihara*, a hybrid deity sometimes depicted in Khmer sculpture. Gordon sat bolt upright. "That would be new," he said, grinning. Someone passed Blue Tiger a notebook and a ballpoint, and he began sketching.

The next step would be for Gordon to ask archaeologists about the plausibility of Blue Tiger's recollection. Then they'd have to zero in on the location and hope to find a pedestal or some other remnant. There were no guarantees it would help recover anything, but it was a lead.

"Everyone thought the stones wouldn't speak," Gordon told me as we left the hotel a short time later. "But now the stones are talking." B

PHOTOGRAPHS BY THOMAS CRISTOFOLETTI FOR BLOOMBERG BUSINESSWEEK (4)

House



HUNTERS



BY Claire Martin

PHOTO ILLUSTRATION Chris Burnett

In an epic LA crime spree, a duo allegedly stole millions in luxury items from the rich and famous—as well as friends. How they did it, what they grabbed, and why they got caught

CAT BURGLARY

TEAR HERE

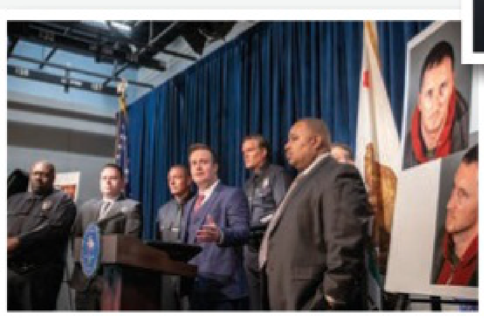
TEAR HERE

Benjamin Ackerman opened the door in his pajamas. It was 7 a.m. on Sept. 20, 2018. Six detectives and six uniformed officers were standing outside his two-story 1930s apartment building in the Carthay neighborhood of Los Angeles. The two-bedroom unit, though modest, was outfitted with a 15-camera indoor-outdoor surveillance system. The authorities were flanked by an LAPD tactical team, and a police helicopter buzzed overhead.

Inside the apartment, the reason for the cameras became clear. Expensive artwork lined the walls near the entryway. Handbags—some that retailed for as much as $100,000—and designer clothing were strewn in the office and organized on the floor by brand: Balenciaga, Chanel, Fendi, Givenchy, Hermès, Louis Vuitton. As they searched the unit, the detectives found Goyard wallets; Cartier, Patek Philippe, and Rolex watches; diamond-encrusted Gucci hair clips; hundreds of bottles of expensive wine; and more artwork. There was also paperwork for a storage unit.

Ultimately, the detectives discovered about 2,500 items—all stolen in a burglary ring that targeted LA's wealthiest enclaves and was masterminded, authorities say, by Ackerman and a partner, a real estate agent named Jason Yaselli. The bust led to one of the largest recoveries of pilfered items in a single arrest in LAPD history, and it put an end to one of the city's most mystifying crime sprees.

According to authorities, the scheme targeted homes that had recently come on the market. Online real estate listings, as well as in-person recon missions at open houses (where Ackerman allegedly posed as a Realtor), helped determine which properties promised the largest troves of luxury items. Sometimes the thefts were as simple as walking in through the front door and out via the yard. Other times they involved returning to locations at night and disabling security alarms and cameras. The duo are said to have hit the rich and famous, the merely rich, and even longtime friends from their years growing up in and near middle-class neighborhoods in Beverly Hills. It's not clear how they met, but acquaintances say that Ackerman and Yaselli—who are 35 and 36, respectively—spent their lives surrounded by, and hungering for, the trappings of extreme wealth.

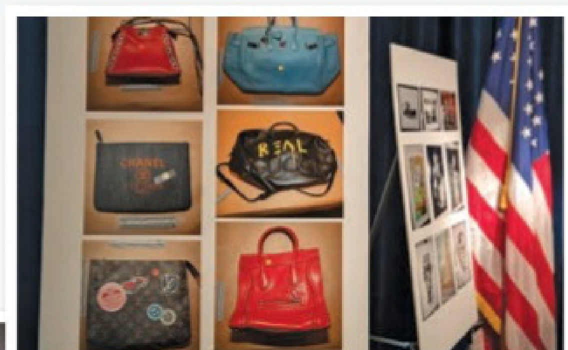


Timmons announces Ackerman's arrest

The burglaries were clandestine, calculated, and unnerving to the victims. Often, there was no sign of a break-in—just the realization days, weeks, or even months later that valuables were gone. "Usually guys go in, they break in, they smash, and they're just fumbling around," says LAPD Detective Jared Timmons, who's overseeing the case. These robberies, he adds, were "very surgical."

The stealth approach allowed for the theft at one Beverly Hills home alone of more than 150 luxury items worth about $2.5 million, authorities say. Prosecutors working for George Gascón, LA's district attorney, say at least $5.5 million in valuables from 13 homes was taken from December 2016 to July 2018. The overall price tag might be far higher given that the pair are believed to have been active for several years prior.

Both have pleaded not guilty. (Yaselli was arrested separately in August 2019.) They're charged with 14 counts of burglary, 32 counts of money laundering, and one count of conspiracy to commit money laundering. The pair is accused of selling the stolen items to pawn shops and second-hand luxury retailers; Ackerman allegedly would deposit the proceeds and transfer them to Yaselli, who'd then pay the bills Ackerman racked up on his partner's credit cards. For doing so, Yaselli got American Airlines frequent-flyer miles and American Express travel reward points.



Evidence photos of stolen bags

A trial is scheduled to begin on Aug. 25. At a preliminary hearing this spring, Ackerman's lawyer, Gary Jay Kaufman, said authorities "are painting Mr. Ackerman out to be a James Bond of burglary," adding that the crimes he's accused of are "not even fathomable." Yaselli's lawyer, Victor Sherman, acknowledged that his client let Ackerman use his credit cards but contended that Yaselli wasn't present at any of the burglaries. He said "there is not a single shred of evidence in this case Mr. Yaselli has anything to do with picking out what house will be burglarized on a particular day or how it's going to be done." Prosecutors didn't dispute that Yaselli wasn't physically present for the burglaries, but they said that he benefited from the scheme and pushed Ackerman to keep going. "Mr. Yaselli is morally and legally just as responsible for these burglaries as is the person who carries them out—just like a getaway driver would be," said Deputy District Attorney Jeffrey Stodel. The defense's arguments didn't sway the presiding judge, who ruled that the case could proceed. In the meantime, Sherman and Kaufman are appealing the money laundering charges.

Here are some of the notable robberies the pair are accused of, along with what was stolen.

VICTIM: LINNEA STALBERG	DATE OF BURGLARY: DEC. 4, 2016
LOCATION: LAUREL CANYON	

"I've got Sunday set up for at least 5K," Ackerman texted Yaselli, according to court documents. He'd just left an open house—the first of two—at a cottage on the market for $1.7 million. The photos accompanying the online listing showed two cavernous walk-in closets packed with clothes, shoes, and bags.

Stalberg is a marketing executive who collected pricey jewelry and Chanel, Givenchy, and Louis Vuitton handbags. Before the second open house, Stalberg locked her jewelry in a safe and stuffed her handbags into dust bags and stashed them on a high closet shelf. Ackerman showed up with a plan: "Chanel. Easy out via yard," he texted Yaselli. That night, Stalberg pulled out a ladder to retrieve her purses. Several were missing. Four Chanel purses, each worth $20,000 to $50,000, were recovered.







VICTIMS: RABBI KAREN FOX AND HER HUSBAND, MICHAEL ROSEN	DATE OF BURGLARY: JULY 7 TO AUG. 14, 2017
LOCATION: CARTHAY	

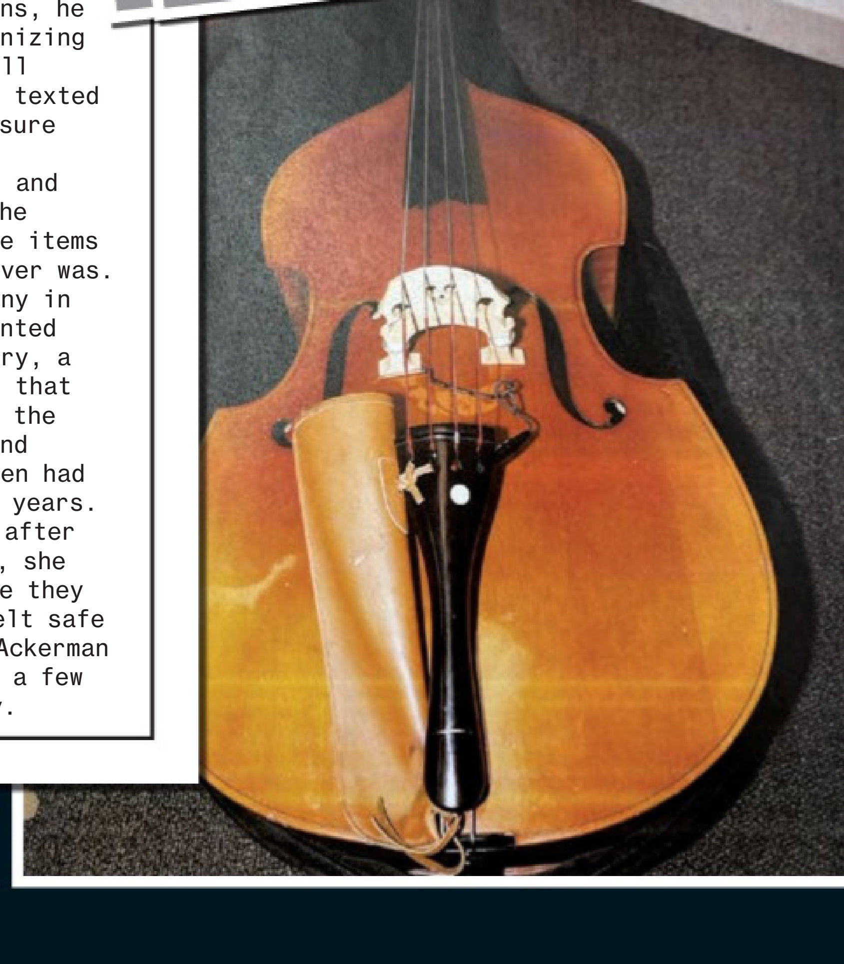


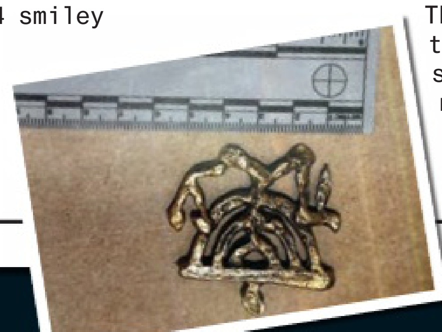
In July 2017, Fox and Rosen flew to New York City to meet their infant grandchild. They'd arranged for Ackerman, the son of a close family friend, to move mail to their backyard. Fox spent her career at the storied Wilshire Boulevard Temple. During World War II, her grandmother sold pieces of a cherished gold necklace to feed her family, buy medicine for her diabetic husband, and eventually escape Germany for the US. Fox kept what remained of the necklace with other heirlooms in a safe in the primary bedroom.

On July 16, Ackerman texted Yaselli: "Remember the people in my neighborhood who's [sic] mail I watch?" he wrote. "They left their safe unlocked [4 smiley emojis]." He added, "I'm inside. Going through it."

Having attended Shabbat and Passover dinners at the house, Ackerman was familiar with the layout. And because he knew Fox and Rosen's travel plans, he could take his time scrutinizing their belongings. "I'm still going through jewelry," he texted Yaselli at 9:53 p.m. "I'm sure there's cash in here too."

A menorah-shaped brooch and a standing bass owned by the couple's son were among the items recovered. The necklace never was. In emotional court testimony in March, Fox said it represented "our family's survival story, a Jewish survival story"—and that she'd planned to pass down the necklace to her children and grandchildren. She and Rosen had lived in their home for 35 years. They sold it after the burglary, she says, because they no longer felt safe given that Ackerman still lives a few blocks away.





PREVIOUS SPREAD: ACKERMAN: LAPD. YASELLI: KELLER WILLIAMS REAL ESTATE. THIS SPREAD: CONFERENCE: ALLEN J. SCHABEN/LOS ANGELES TIMES/POLARIS (2). ITEMS: LAPD (4)

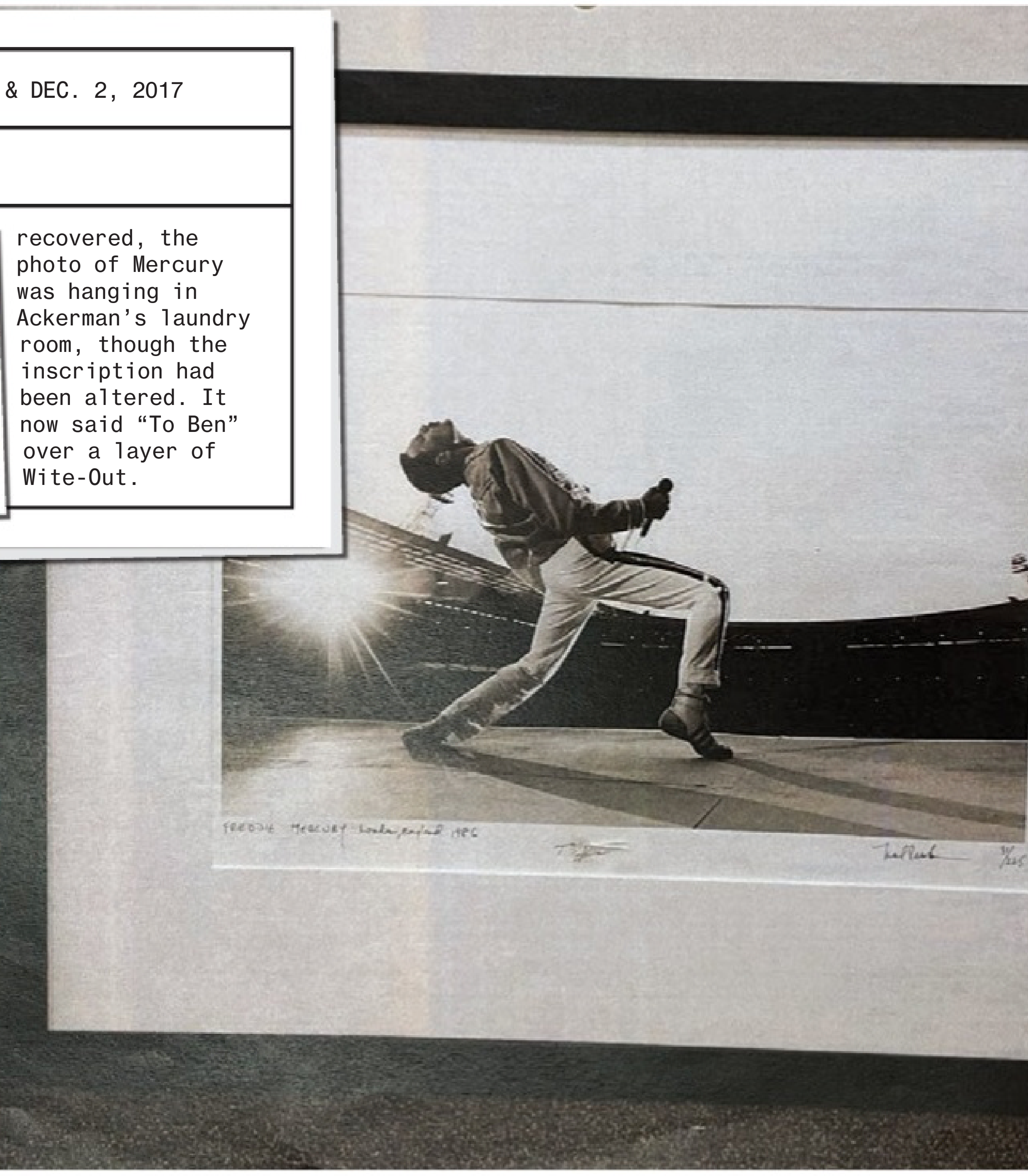
VICTIM:	DATE OF BURGLARY:
ADAM LAMBERT	NOV. 30 & DEC. 2, 2017

LOCATION: HOLLYWOOD HILLS

Lambert's house was on the market for almost $4 million while the singer was on tour in Europe with the band Queen. One of the items Ackerman is said to have plucked from Lambert's wall: a photo of Queen's original frontman, the late Freddie Mercury, which was inscribed with "To Adam." When it was



recovered, the photo of Mercury was hanging in Ackerman's laundry room, though the inscription had been altered. It now said "To Ben" over a layer of Wite-Out.



TARGETED APPROACH

MANY VICTIMS WERE NEIGHBORS





VICTIMS:	DATE OF BURGLARY:
JOHN HODGES AND PUNCH HUTTON	DEC. 3, 2017

LOCATION:
HOLLYWOOD HILLS

At about 4:15 p.m., a real estate agent for former *Vanity Fair* editor Hutton and her film-producer husband locked up the house—located a block behind Chateau Marmont—and left. The online listing had extensive photography and a 3D tour of the home, which showed a portrait of Hutton and her kids, signaling that it was owner-occupied and likely full of their stuff.



According to authorities, Ackerman hopped Hutton and Hodges's backyard fence, hoisted himself about 5 feet onto the roof, and pushed open a window in the primary bedroom that he'd unlocked earlier. (This photo, of the back of the house, is annotated with Hutton's notes on the break-in.)

Once he was back outside, Ackerman sent Yaselli a text—"Well just when you thought the day was done ;)"—with an attached photo. In it his hand was gripping a towel wrapped around the handle of a Louis Vuitton tote and a blue Goyard tote, and there was a jewelry box peeking out of the Goyard. "That's you right now!!!!" Yaselli replied. "I've been watching this house for a while," Ackerman texted.

That night, Hutton realized her jewelry was gone. Several of her bags and her husband's Rolexes were also missing. (In all, the couple's stolen valuables were worth $215,000.) She felt a draft and noticed a window was slightly open; there was a smudge on the wall beneath it. On closer inspection, she saw fingerprints, a handprint, and a shoe print. Later, police matched the prints to Ackerman's. One of the bags and some of the less valuable jewelry was eventually recovered.



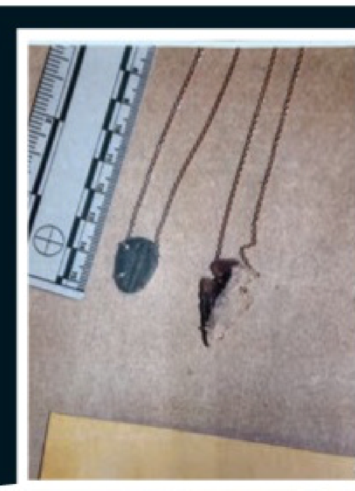
LAMBERT: AMY SUSSMAN/GETTY IMAGES. FRAME: LAPD. HODGES AND HUTTON: PATRICK MCMULLAN/GETTY IMAGES. HOME: LAPD

VICTIMS: USHER AND THEN-WIFE GRACE MIGUEL	DATE OF BURGLARY: MARCH 20, 2018
LOCATION: HOLLYWOOD HILLS	

The photo captions accompanying the $4.2 million online listing of a villa near Chateau Marmont emphasized the owner's "eye-catching decor" and "striking artwork." The most notable item stolen, though, was an NBA championship ring from the Cleveland Cavaliers Finals victory in 2016. The ring had been a gift from LeBron James to the singer Usher—the home's owner. Also stolen: a $220,000 watch, a necklace worth $200,000, expensive wine, $20,000 in cash, and a Louis Vuitton bag (below, in a photo that detectives recovered from Ackerman's phone). All told, the score was worth about $800,000. Only one gold necklace imprinted with the singer's name and another featuring an arrowhead gem (below, left) was recovered.

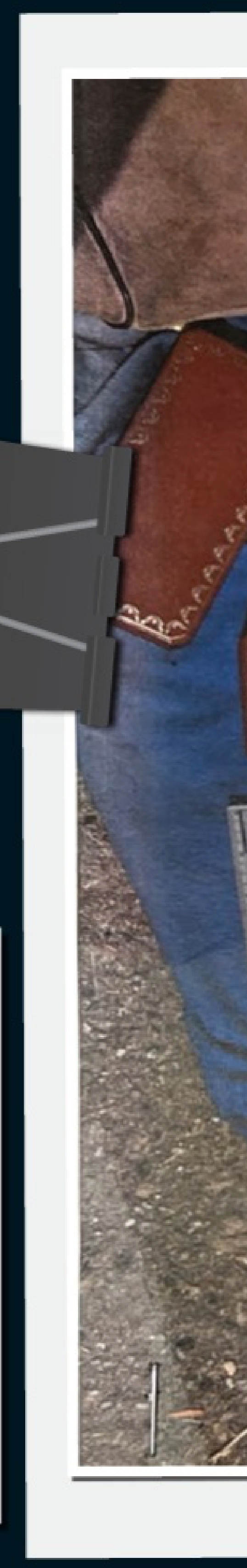
Ackerman appears not to have known that it was Usher's home while he was allegedly robbing it. "Omg it was usher!!!!!!!!!!" Ackerman wrote to Yaselli afterward. "I wonder if there's a song that has both usher and Adam lambert [three smiley emojis]."





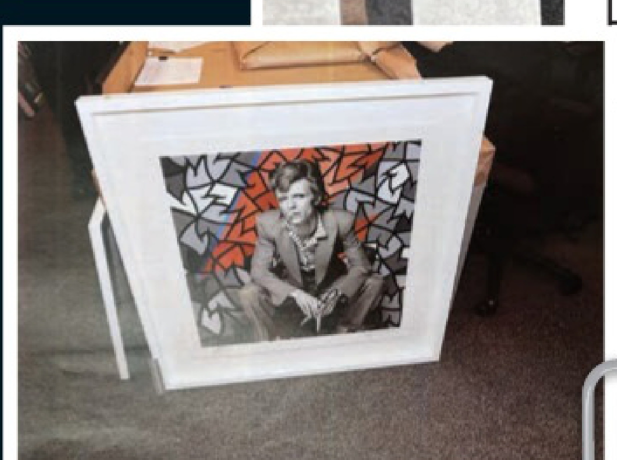


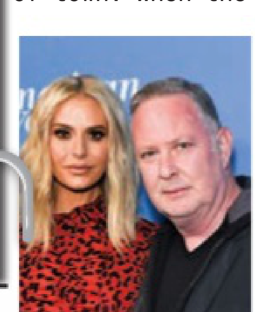




VICTIMS: DORIT AND PAUL KEMSLEY	DATE OF BURGLARY: JUNE 28, 2018
LOCATION: BEVERLY HILLS	

Authorities say Ackerman entered the Kemsley house while they were out of town. When the *Real Housewives of Beverly Hills* star returned, she and her husband had been robbed of artwork, jewelry, a pricey wine collection, handbags, and wallets worth more than $2.5 million, the largest total sum of any of the hits. Among the 150-plus items detectives recovered were 43 purses and handbags, 30 bracelets, 25 necklaces, a Social Security card, two framed photographs (one of Faye Dunaway and one of Clint Eastwood) by photographer Terry O'Neill, plus the photos shown here of Mick Jagger and David Bowie, also by O'Neill.







VICTIMS: MICHAEL AND REBECCA GORES	DATE OF BURGLARY: JULY 21, 2018
LOCATION: WEST HOLLYWOOD	

When detectives searched Ackerman's home, artwork from the Goreses' house—including a print by renowned LA artist Ed Ruscha, *Jet Baby*—graced his walls.

Ackerman's arrest was sparked by an inquiry he made to an online auction house. He asked about the value of another stolen print that belonged to the Goreses by street artist Retna (not pictured here). His interest, relayed by the auctioneer to the Goreses, alerted them to a possible suspect; they then relayed their information to the LAPD.

The total value of goods stolen from the Goreses' home after an open house was about $200,000, according to authorities. The pair might have taken the AirPods case decorated with the insignia for Paradigm Talent Agency (inset below) as a trophy; Michael Gores is an agent there, and his father, Sam, is the chairman and founder. The company represents celebrities including Stephen King, Zoe Kravitz, and Sydney Sweeney.



USHER: XAVIER COLLIN/ALAMY. KEMSLEYS: PRESELY ANN/GETTY IMAGES. ITEMS: LAPD (6)



created_at
exchange
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login
DEAD
FROZEN- 6/3/17 link alternate accounts
FROZEN- 6/3/17 link alternate accounts
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08/08/2018
08/08/2018
Basic Verified, EMPTY
EMPTY
Basic Verified, EMPTY
119,754 BTC
Stolen BTC
LOCKED, 13BTC
PIN:
LOCKED
API TEST
must wi
XMR wi
VCE 9
VCE 10
VCE 8
Wallet
1CGA4s

‘Don’t FORGET



an Exit Plan'

BY
Zeke Faux
PHOTO ILLUSTRATION
Chris Burnett

TEAR HERE
TEAR HERE

Did a novelty rapper and her startup-guy boyfriend commit history's biggest heist?

CRYPTO HACKS

The hackers had been inside the Bitfinex servers for weeks before attempting the heist. They'd watched users on the cryptocurrency exchange buy and sell Bitcoins. They'd studied the commands that controlled the security system. It was as if they were hiding in an air duct above a bank's vault, watching as tellers meticulously moved cash in and out, looking for vulnerabilities.

They weren't after Bitcoins, exactly. Bitcoins only exist as entries in a database maintained by computers around the world. What they needed were the private keys: cryptographic passwords that would allow them to unlock the coins and move them. Once they found the keys, they struck. At 10:26 a.m. on Aug. 2, 2016, the hackers raised the exchange's daily withdrawal limit from 2,500 Bitcoins to 1 million, more than enough to empty out the whole vault. Then, using the private keys, they started broadcasting instructions to transfer Bitfinex's Bitcoins to addresses they controlled on the blockchain. Over the next 3 hours and 51 minutes, the hackers stole 119,754 coins—more than half the holdings of what was then one of the world's largest cryptocurrency exchanges.

When Bitfinex executives realized what had happened, they hired a security team to search the servers' memory for clues. The hack was ambitious and sophisticated, and some users suspected an inside job. Or perhaps the culprits were part of North Korea's elite hacking corps, which, six months earlier, had stolen $81 million from the central bank of Bangladesh. But the researchers had little to go on. Before logging off, the hackers had effectively wiped their digital fingerprints.

The only information Bitfinex had was the 34-character addresses on the blockchain where the hackers sent the money. In an attempt to get help from the public, the company put those addresses on the internet for all to see.

BW Scan

"I'm many things. A rapper, an economist, a journalist, a writer, a CEO, and a dirty, dirty, dirty, dirty ho"

OK

For years, most of the funds stayed in those digital wallets, more or less untouched, even as Bitcoin went from being a nerdy curiosity to fueling a global mania that pushed its price up more than 100-fold. By 2021 the stolen Bitcoins were worth more than $8 billion, making the theft the richest in history. The money was sitting right there, but there was no obvious way to figure out who'd taken it. And without the hackers' private keys, there was no way for police to get it back.



Heather Morgan, aka Razzlekhan

But in Grand Rapids, Mich., an IRS agent working from his basement had found a clue. The wallets seemed to be connected to a New York City couple in their early 30s: Ilya Lichtenstein and Heather Morgan.

Judging from social media, these two didn't exactly appear to be criminal geniuses. Lichtenstein, who goes by Dutch, had curly hair and an impish grin, like a baby-faced Elijah Wood. He seemed very fond of the couple's Bengal cat, Clarissa. Morgan's thing was music—extravagantly bad music that she wrote, performed, and released in videos on YouTube and TikTok. In one, she danced and pretended a toy reptile was her penis. In another, she gyrated down the streets of the

Financial District wearing a gold track jacket, a fanny pack, and a flat-brimmed hat reading "0FCKS." She called herself the "motherf---ing crocodile of Wall Street." In one song, she even bragged about her hacking skills: "Spearphish your password / All your funds transferred." Her rap name was Razzlekhan.

genie's true identity: "This was no ordinary perv / It was Mark Zuckerberg."

In her *Forbes* columns and self-help YouTube videos, Morgan explained that she created her rap persona as a way to embrace the weirdness that used to make her a target of ridicule. She'd grown up outside Chico, Calif., where she was "bullied mercilessly" about her lisp and braces. While



The "motherf---ing crocodile of Wall Street"

Morgan, then 31, was the founder of a small copywriting business called SalesFolk. She was living with Lichtenstein in a $6,500-a-month high-rise apartment on Wall Street. In her TikTok posts, the apartment was stuffed with knickknacks, including a crocodile skull, a camel figurine, and an unexplained item described only as "Ukrainian sewer rocks." A zebra pelt hung on the wall near a zebra-striped elliptical trainer. Two long-horned antelope skulls were mounted there, too, along with a framed X-ray of Morgan's lungs from when she contracted MERS in Egypt.

She portrayed herself as an always hustling, rule-breaking tech disrupter, like Uber's Travis Kalanick or Airbnb's Brian Chesky. She wrote a regular column for *Forbes*; her author bio read: "When she's not reverse-engineering black markets to think of better ways to combat fraud and cybercrime, she enjoys rapping and designing streetwear fashion." Or, as she put it in her song *Versace Bedouin*: "I'm many things. / A rapper, an economist, a journalist, / a writer, a CEO, / and a dirty, dirty, dirty, dirty ho."

As a performer, Razzlekhan is both hypersexual and aggressively unappealing. She alternates jokes about diarrhea and sex with boasts about her edgy business practices. Her signature move, if you can call it that, is to throw up her hand with her fingers split into a "V," stick out her tongue, and say, "Razzle Dazzle!" Then she makes a loud phlegmy cough.

Her songs, from *Pho King Badd Bhech* to *Gilfalicious*, are full of painfully forced rhymes, with a delivery so stilted she makes Chet Hanks sound like Kendrick Lamar. Her lyrics are nonsensical. In *High in the Cemetery*, she describes a hallucination in which she's given a magic lamp and meets a genie who offers to fulfill her wishes in exchange for "a handie." Only later does she learn the

at the University of California at Davis, she studied abroad in South Korea and Turkey. After graduating, she found a home among the backpacker set, first in Hong Kong, then Cairo. "When she meets someone, it's like they're forever her friend," says Amina Amoniak, who stayed in touch with Morgan after meeting her a decade ago through the website Couchsurfing.

Morgan met Lichtenstein about seven years ago in San Francisco, where she'd moved to work at a startup. Traces of their early flirting can still be found on LinkedIn, where Lichtenstein left Morgan a recommendation. "Heather crafts precisely targeted messaging that sticks in customers' brains like a finely sharpened meat hook," he wrote.

Born in Russia, he'd grown up in Chicago, where his parents had moved to avoid religious persecution. While at the University of Wisconsin at Madison, he discovered a shady practice of the internet known as "affiliate marketing," where people buy ad space in bulk on Facebook or Google and craft ads for diet pills, brain boosters, and offshore gambling sites. Lichtenstein claimed in forum posts that he made more than $100,000 a year from affiliate marketing while he was still a student.

Ryan Eagle, an affiliate marketer who says he did business with Lichtenstein, says that even in an industry full of obnoxious bros, Lichtenstein's intelligence and arrogance stood out. "He was one of these f---ing nerds that tries to get under your skin," Eagle says.

After graduation, Lichtenstein co-founded an advertising technology company, then left it in 2016 and became an angel investor. In Morgan's TikTok videos, he often seems like a grudging participant. "You keep filming me, expecting something to happen, what do you want me to do? You want me to shove something up my ass and do a little dance?" he asks in one video, after Morgan asks him about his ▶

PREVIOUS SPREAD ILLUSTRATION PHOTOS: RAZZLEKHAN INSTAGRAM (3); TIKTOK (5); US DISTRICT COURT FOR D.C.; YOUTUBE. THIS SPREAD: YOUTUBE (4)

◀ habit of tasting Clarissa's cat chow. ("It needs salt, it needs pepper, but other than that it's pretty good," he says.) Lichtenstein didn't respond to requests for comment.

I'd hoped to ask Morgan for her side of the story. I thought about calling, but in *Versace Bedouin*, she'd recommended against it: "Email me, f--- your message at the beep, beep, beep." Then I realized she'd given entire presentations about how to get people to respond to emails. Her first rule was to "e-stalk" your audience to understand them. Having subjected myself to hours of her songs and videos, I figured I had that one covered. Then it said to think about what the competition is doing. I'd read that Netflix Inc. had already commissioned a documentary about her from one of the makers of *Tiger King*. "Heather," I wrote, "the documentary people are out to make you the next Tiger King. Your input could help reshape the narrative." She didn't reply.

BW Scan

Morgan had given a talk titled "How to Social Engineer Your Way Into Anything"

Ok

It seems unlikely that someone who tried to rhyme "Razzlekhan's the name" with "that hot grandma you really wanna bang" could in fact be a master thief. Then again, this is the crypto world, where a lack of experience or competence hasn't always been a barrier to fame and fortune and where large-scale hacks are a regular occurrence.

Bitcoin exchanges basically have one job—to keep the cash and crypto sent by users safe—and since the beginning of the industry, they've failed at it. The first big exchange, Mt. Gox, repurposed a website created as a place to trade virtual cards for Magic: The Gathering. It had security and record keeping that was so poor, hackers would steal Bitcoins as soon as users deposited them. Mt. Gox filed for bankruptcy in 2014, saying it had lost 7% of all Bitcoins in existence. The hacks of exchanges kept coming. Among the biggest: Coincheck was taken for $530 million in 2018 and KuCoin for $280 million in 2020. Last year, according to crypto-security firm Chainalysis, a total of $3.2 billion in cryptocurrency was stolen from exchanges and decentralized finance (or DeFi) apps, in which crypto traders make deals directly with one another. That's 100 times more than the total stolen in all bank robberies in an average year in the US, FBI statistics show. Much of the money was taken by North Korea's Lazarus hacker group, Chainalysis says.

At the time it was hacked, Bitfinex was seen as one of the most reputable exchanges, but it wasn't exactly Fort Knox, either. It was originally based on code copied by a young Frenchman from an exchange called Bitcoinica that had been widely seen as insecure, and it was run by a plastic-surgeon-turned-low-end-electronics-importer, Giancarlo Devasini. Based in Milan, Devasini invested in Bitfinex in 2012 and became the de facto head of the exchange, though on paper he's the chief financial officer. He's also the boss of Tether, the issuer of a so-called stablecoin that's supposed to be backed 1-to-1 with dollars but has been fined by US regulators for lying about its $67 billion in assets.

Bitfinex set up a new security system after it lost about $400,000 of cryptocurrencies in a 2015 hack. Other exchanges generally mixed users' coins together and stored the private keys on computers that weren't connected to the internet, a practice known as "cold storage." The new system kept each user's balance in a separate address on the blockchain, allowing customers to see for themselves where their money was. It used software from San Francisco-based crypto-security company BitGo. "This new level of transparency and security makes breaches such as those of Mt. Gox impossible," Mike Belshe, BitGo's chief executive officer, said in a press release announcing the deal.

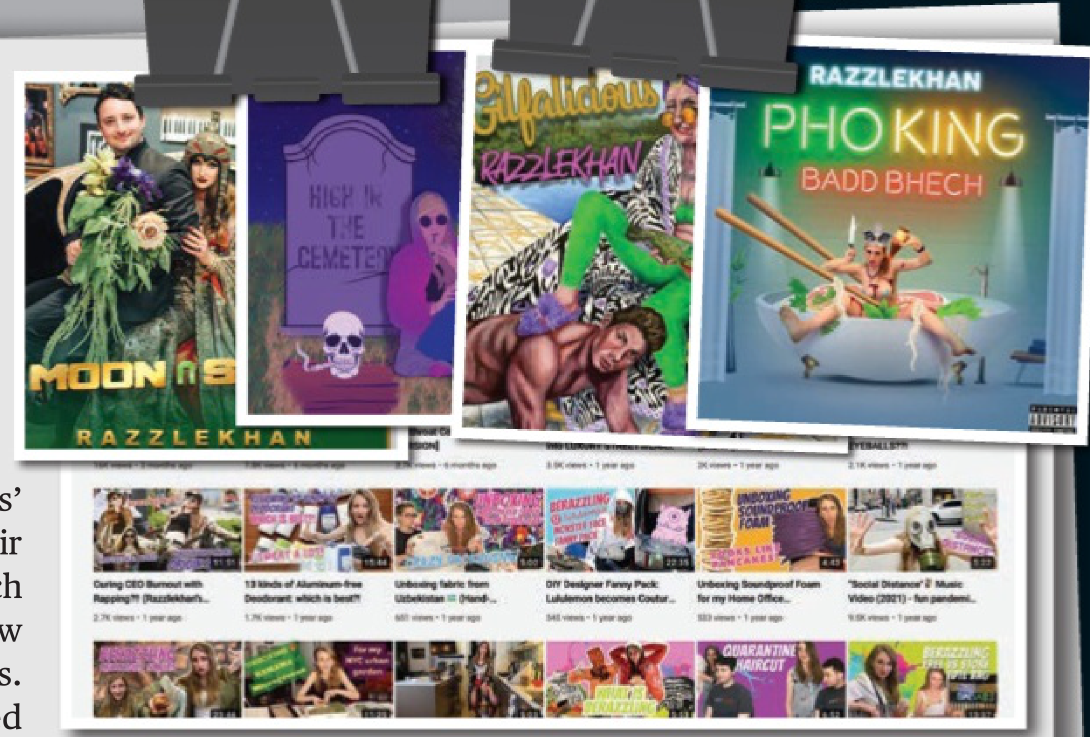
The BitGo software was programmed to automatically approve transfers under a certain limit, so small withdrawals wouldn't be delayed, but it required a Bitfinex executive to manually sign off on large ones. This was supposed to mean that even if Bitfinex got hacked, only a small number of Bitcoins would be stolen at most. But the system configuration was flawed. The limit could be changed with a computer command sent by someone with a Bitfinex executive's electronic credentials.

That's what the hackers did after first using a "remote-access Trojan" to infiltrate the exchange, according to court documents. Such malware lets attackers gain full control of a target's computer, as if they're sitting at the keyboard. The hackers were only stopped when someone at Bitfinex happened to check account balances and noticed something was off.

Bitfinex executives have said they

considered filing for bankruptcy after the attack. Instead, to give themselves a chance to make up the losses and stay in business, they simply reduced the balances of all customers by 36% and issued IOUs to cover the losses. Within eight months the exchange had earned enough to pay them back, either in cash or in Bitfinex stock.

Bitfinex reported the hack to authorities, but there were no leads. The hackers erased the servers' memory on their way out, wiping any pointers to their location. Ledger Labs, which investigated the breach on behalf of Bitfinex, was unable to determine how exactly the hackers got into the exchange's servers. BitGo has maintained that its software functioned properly, though it changed its rules so that withdrawal limits could only be raised after a video call with a BitGo employee. BitGo and Bitfinex declined to comment, as did Ledger Labs' lead investigator.



Razzlekhan's oeuvre

Michael Shaulov, a former coder for the Israeli Intelligence Corps and the co-founder of crypto-security firm Fireblocks Inc., says hacks like these generally don't require a high level of technical expertise. Often, he says, the hardest part is crafting an email that tricks an insider into opening a malicious attachment. "The social-engineering vector is key," he says.

That seemed like a clue. Morgan had given a talk titled "How to Social Engineer Your Way Into Anything" in 2019 at an event called NYC Salon. In a promotional flyer for the speech, she posed in a tight, snakeskin-print metallic dress while holding a large pipe wrench. "I hate the term 'manipulating,'" she said in the talk, after attempting to warm up the bemused crowd by rapping a few lines from *Versace Bedouin*. Social engineering, she said, involves "getting someone to share information or take an action that they otherwise would not." And in what was either an unfortunate coincidence or another stunning act of hubris, on the day before the hack Morgan posted a photo on Instagram of her and Lichtenstein sitting on a blue plush couch, with the caption "I will always love getting into trouble with this crazy guy."

On the day of the hack, a Bitfinex employee logged in to the main Bitcoin forum on Reddit and posted all the addresses where the hackers had sent stolen Bitcoins. It didn't look like much—it was just a list of thousands of 34-character codes. But it was like setting off a dye pack to mark the money in a bank robber's bag of loot.

All transactions on the Bitcoin blockchain are public, so anyone can look up an address and see all the other addresses it sent coins to or received coins from. Few people would accept Bitcoins from the addresses Bitfinex had disclosed on Reddit. Even if they had no qualms with stolen money, they'd be concerned about whether they could spend it themselves—or if they'd become suspects.

For five months the stolen Bitcoins didn't move. It seemed the hackers had forgotten a crucial part of their plan: To actually use the Bitcoins they'd stolen, they'd have to find a way to erase the connection to the hack. One place where stolen Bitcoins were welcome was AlphaBay. It was a marketplace on the dark web, a hidden part of the internet only accessible through an anonymous browser, where users posted classified ads offering opioids, guns, and stolen credit cards in exchange for crypto. On its website, AlphaBay said it wanted to be "the largest eBay-style underworld marketplace." In case anyone missed the point, its FAQs included "Is AlphaBay Market legal?" Answer: "Of course not."

In January 2017 about $22,000 worth of the hacked Bitcoins were moved to AlphaBay in a series of small transactions. All Bitcoins sent to AlphaBay were mixed together, making them harder to connect to wherever they'd come from on the blockchain. Once a user withdrew their funds to a new address, their Bitcoins could be traced back only as far as AlphaBay. Although all the major exchanges were unwilling to accept Bitcoins that had come from addresses associated with the hack, some smaller exchanges were willing to take coins that came from a dark web drug bazaar.

From AlphaBay, those hacked Bitcoins were sent to one crypto exchange, then another. The second exchange account was opened by Lichtenstein, using his real name. He'd even sent in a selfie to verify his identity. The only person who'd know the connection between Lichtenstein and the hacked funds would be the person running AlphaBay, who went only by Alpha02.

Unfortunately for the thieves, AlphaBay was already the target of a separate investigation. Police from several countries thought they'd figured out that Alpha02 was ▶

YOUTUBE (5)

◀ a 25-year-old Canadian named Alexandre Cazes, who'd moved to Thailand and bought three properties, a Lamborghini, and a Porsche with his profits. Among his mistakes: On some early messages he used an address, Pimp_Alex_91@hotmail.com, that he'd also used under his real name.

On July 5, 2017, the investigators put in motion what they called Operation Bayonet. Royal Thai Police rammed a car into the front gate of a compound in Bangkok where they and US authorities suspected Cazes was living. The commotion lured him out, and, while police detained him, other agents rushed inside. Cazes was arrested and died in prison a week later in an apparent suicide, according to the *Bangkok Post*. But he left behind lots of evidence. Inside his compound, police found his laptop, open and logged in to AlphaBay.

Among the US federal agents who'd traveled to Bangkok for the AlphaBay bust was Chris Janczewski, then 33, a special agent with the IRS. Strange as it sounds, Janczewski had wanted to work for the IRS ever since a special agent had visited his accounting fraternity at Central Michigan University. The speaker had regaled Janczewski and his fellow aspiring accountants with stories of high-speed chases and kicking in doors. But at his first job there were no chases and no doors to kick in—just audits of a bunch of plumbers and car dealers in and around Charlotte. "As you can imagine, people aren't super excited that you're there," Janczewski says.

In 2015 he was recruited by a new cybercrime unit in Washington. The team of about a dozen agents first focused on hacked data used to commit tax fraud. Then they shifted to cryptocurrency cases. The agents realized that while the blockchain was anonymous and criminals often shuffled their coins from wallet to wallet, the trail of transactions almost always led to an exchange, which would ask for identification before allowing someone to sell their Bitcoins for cash. Even if the crooks used an intermediary or a fake ID, they would leave clues. All the agents had to do was follow the transactions long enough. "Eventually everybody screws up," says Tigran Gambaryan, another member of the IRS cybercrime unit, who now runs investigations for crypto exchange Binance.



Evidence seized from 75 Wall St., home of Morgan and Lichtenstein

Crypto tracing led Janczewski and his colleagues to drug dealers, money laundering services, and even a site that had been selling child abuse videos. With each bust, they gathered data that allowed them to link more crimes to more Bitcoin addresses and more Bitcoin addresses to more people.

Janczewski declines to say when he and his colleagues made the connection between the stolen Bitcoins and Lichtenstein and Morgan or to discuss other details of the hack investigation. But by 2020, legal filings show, they had started the painstaking process of turning leads into evidence usable in court. They sent legal requests to exchanges that touched the stolen funds and to internet service providers the couple used. It took more than a year to gather enough evidence to justify a search warrant.

On Jan. 5, 2022, Janczewski and other federal agents entered the apartment at 75 Wall St. Morgan's parents were visiting and had brought a batch of her favorite persimmon cookies, baked by her grandmother. As the agents started looking for phones and computers, she and Lichtenstein said they wanted to leave the apartment and take Clarissa with them, according to court filings. Then, Morgan clumsily attempted to create a diversion.

She said the cat was hiding under their bed and crouched down next to a nightstand. While calling the cat, she grabbed a phone off the nightstand and started frantically hitting the lock button. Janczewski pulled it from her hands.

Under the bed, the agents found a bin full of electronics, including a zip-top bag labeled "Burner Phone" and a red-and-white-striped toiletries bag holding nine more phones. They seized at least four hardware wallets—thumb drives that hold the cryptographic passwords to a user's Bitcoins—and a pocketbook stuffed with $40,000 in cash. In Lichtenstein's office, they found two books that had been hollowed out to create hidden cavities. The couple had a brief conversation in Russian, which Morgan had been studying. None of the agents understood it.

After an initial search of their electronic devices, the agents hadn't found the private keys to the stolen Bitcoins. They didn't have enough evidence to arrest the couple.

Five days after the search, Morgan released a new song, *Moon n Stars*. Over a spooky-sounding drum-and-organ beat, Razzlekhan raps for five and a half minutes about her connection with Lichtenstein—their shared weirdness, his green eyes and "nice bottom," and their inside jokes, such as how he always keeps snacks in his pockets or how they both can't drive. She says she doesn't want a regular job and takes risks to feel alive, and at one point she even says, "Don't forget an exit plan." She and Lichtenstein had married a few months earlier. In the song she says she wants to be with him "until the goddamn end."



75 Wall St.

Her delivery in the song is as awkward as ever, but knowing she posted it while she must have already been contemplating a long prison sentence, the lyrics take on a poignant tone. "We're too weird for average Joes / Everyone knows," Razzlekhan raps in the last verse. "You're the best for me / This is how our story goes. / This is the Razzlekhan and Dutchie shows. / Ready to party down and let's get weird!" As the song ends, Razzlekhan says, in Russian with a thick American accent, "I love you."

The agents had also gotten warrants to search Lichtenstein's cloud-storage accounts. In one of them they found a list of fake IDs, both male and female, and notes suggesting the couple had gone to Kyiv in 2019 to buy debit cards under pseudonyms. It looked to the agents as if Lichtenstein and Morgan had been preparing to flee the country. On Jan. 31 they cracked the encryption on one of Lichtenstein's files and found something even more explosive: the private keys to nearly 2,000 Bitcoin addresses tied to the Bitfinex hack. The government now had control of $3.6 billion.

A week later the agents returned to the couple's apartment and arrested them. Lichtenstein and Morgan were charged with conspiracy to commit money laundering. Prosecutors said they'd lied to exchanges to move the funds that had been stolen from Bitfinex. The question of who did the actual social engineering and hacking wasn't addressed, and, since the data were deleted, it may never be.

The arrest was national news. It was the largest seizure of stolen funds ever. "Today the Department of Justice has dealt a major blow to cybercriminals looking to exploit cryptocurrency," Deputy Attorney General Lisa Monaco said at a press conference. The TikTok commentariat tore through Morgan's music videos, and within hours Razzlekhan was already a social media legend, having air-humped her fanny pack into the ranks of famous grifters. "The Bitcoin crimes are nothing compared to calling this shit rap," Trevor Noah said on *The Daily Show*. True-crime producers saw parallels to fake heiress Anna Delvey or Theranos founder Elizabeth Holmes. In addition to the Netflix documentary, which was ordered just three days after the arrest, there's a podcast, a fictionalized series from the producer of the heist movie *Den of Thieves*, and a competing documentary from *Forbes*, the publisher of Morgan's columns.

They both pleaded not guilty. Lichtenstein was held without bail, and Morgan was released on $3 million bond. She argued that she wasn't a flight risk because she was storing frozen embryos in New York and planned to have a child with Lichtenstein via in vitro fertilization. Morgan returned to her apartment, but in May she put many of her belongings up for sale on the building's message board, including three electronic deadbolts and a fake Banksy print. According to copies of the posts provided by a neighbor, she's moving and needs to downsize. Prosecutors said in a May 30 court filing that they were talking with the couple's lawyers about a plea bargain. The next hearing is scheduled for August.

In March, Janczewski left the IRS to become head of global investigations for blockchain intelligence firm TRM Labs. The government is still holding the seized Bitcoins—the US Marshals Service keeps crypto on encrypted thumb drives in a locked safe in an undisclosed federal building. With the cryptocurrency market crashing, their value has fallen to about $2 billion. Bitfinex's owners say the exchange already paid most users back and owes only about $30 million more. That would mean when the Bitcoins are returned, most of the money will go to Bitfinex's investors, including its executives. But some traders who lost Bitcoins will no doubt argue that the coins should be returned to them.

A fifth of the missing Bitcoins are still unaccounted for. Roughly $70 million worth was sent to Hydra Market, a Russian dark web site, according to crypto-analysis firm Elliptic Enterprises Ltd. No one knows where the money went from there, but on Hydra, vendors called treasure men offer to exchange crypto for shrink-wrapped packets of rubles that they bury in secret locations. It's possible there are underground bundles somewhere in Russia, waiting for Morgan and Lichtenstein to dig them up.

Back in New York, on a traffic pole just across from the entrance through which criminal suspects are led into Manhattan federal court, someone has placed a sticker with a cartoon that depicts a topless Razzlekhan riding a crocodile, her tongue sticking out, her fingers split into her trademark "V." It looks new. Ⓑ



EVIDENCE: US DISTRICT COURT FOR D.C. (4); 75 WALL ST: CREATIVE COMMONS; STICKER: ZEKE FAUX

Security Is


Armed Away
Armed Away
Zones
Scenes
Disarm
Automation
System
ADT



SYNERGY

TEAR HERE

TEAR HERE

BY Austin Carr and Mark Bergen

PHOTO ILLUSTRATION Chris Burnett

ADT hopes to save its legacy residential security business by going all in on a partnership with Google, one of the companies that may eat its lunch

ANTITHEFT

Kneeling beneath a framed print of Thomas Kinkade's painting *A Peaceful Retreat*, Roli Chiu, alarm system installer, began his work one day in March by unpacking boxes of devices inside a new customer's living room. It would take him five hours to set up the system. He'd begin with the command panel in the grand foyer of the 4,000-square-foot home in a Palmetto Bay, Fla., gated community—then connect it to all the new door and window sensors, motion detectors, and smoke and carbon monoxide monitors. Yet Chiu, who estimates he's installed systems at 15,000 homes in his two decades at ADT Inc., thought this one could benefit from a bunch of Google gadgets that the company would soon add to its portfolio. "When the Nest cameras come—oh my goodness—that's going to be a game changer," he said. "I love having Google on our side."

A professionally outfitted ADT system can cost hundreds or thousands of dollars, and in recent years the company has begun to face competition from DIY-friendly devices such as Google's Nest Cams and video doorbells, Arlo, SimpliSafe, and Amazon.com's Ring, which many homeowners have felt can offer similar peace of mind at a fraction of the cost. Then Google surprised investors in August 2020 by revealing it would buy a 6.6% stake in ADT for $450 million. As part of the deal, the companies also agreed to jointly develop products, integrate services, and have ADT's thousands of installers and salespeople promote Google's hardware.

By the time Chiu began his wiring work in the Palmetto Bay home 18 months after the deal closed, it had become evident that ADT had gone all in on the Google partnership. Chiu wore a new corporate shirt emblazoned with the Google logo—the "super G" as employees call it—and said his ADT truck in the driveway would soon be rebranded with Google decals. He praised Google's facial recognition technology and advanced Wi-Fi (while dinging Ring's apparently weak battery life). Across the living room, his ADT colleague, sales adviser Jordan Hernandez, talked up Google's products in front of the homeowner. "With our Google Home package, you can get the Google door lock, the Google doorbell, the Google Hub and Mini speaker for $600," he explained, adding that the devices would cost a lot more if bought separately.

For ADT, a business with roots that can be traced to the 1870s, the association with an internet titan gives its services a new sheen. In addition to installation fees, ADT's 24/7 alarm monitoring usually involves three-year contracts priced from about $28 to $60 a month. The tech giants pursuing the smart home have challenged that model, just as streaming platforms caused people to rethink their relationships with cable conglomerates such as Comcast Corp. (which, incidentally, has also branched into home security). Competitors knock ADT's clunky hardware and suggest the company has skated by on reputation. "If you want to get the most out of ADT, go on EBay and buy some yard signs: You'll spend less than $20 and get 99% of the value," says Dave Selinger, co-founder of home security upstart Deep Sentinel.

Jim DeVries was aware of this sort of criticism when he took over as ADT's chief executive officer in late 2018 following several years in operational roles. Like an "undercover boss" on the reality show, he regularly shadows home installers incognito: "I'm in khakis and a golf shirt. The customer is like, 'Who is this guy?' " (Another ADT executive actually appeared on *Undercover Boss* a few years before DeVries joined the company.) DeVries says that the brand delivers way more value than just blue lawn placards but that he knew it was considered stodgy, so he decided to embark on a new strategy: To compete with tech companies, ADT would have to try to become one. The Google partnership is only the start of its attempt at transformation. "I tell people all the time," DeVries says, "it's like your uncle got cool."

Edward Calahan is the founding father of ADT, which predates Google by well over 100 years. He was an inventor who pioneered a telegraph-based stock ticker in the 1860s, then got the idea to repurpose the technology after a close associate was robbed in his bed at his New Jersey home. "He had scarcely laid his head on the pillow when he saw directed on him the bullseye of the burglar's darklantern," Calahan wrote in an engineering journal. "The burglar, who had already secured his watch and chain, purse and trousers, and all that was contained therein, threw at him a jimmy, a sharp-pointed and exceedingly dangerous weapon."

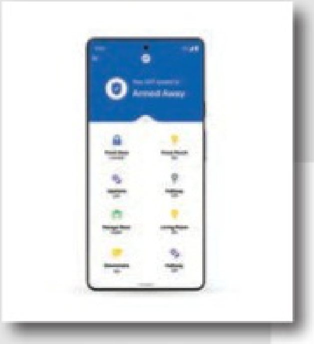
Learning of the incident, Calahan devised a telegraph instrument that could be installed throughout a neighborhood and used by any of the connected homeowners to send a distress signal to everyone else. The machine evolved into a "call box" featuring a clockwork switch with settings to report a fire or request the police or a messenger. "We began work on Brooklyn Heights, and within a week we secured about 100 subscribers," Calahan wrote. Uniformed agents monitored and relayed the alerts at central stations, a system that gave rise to the American District Telegraph Co. and copycats around the US operating under the same name and model. By 1875 the New York branch had rolled out 3,517 units.

Disparate ADT franchises eventually affiliated under a holding company, and in the following century it underwent a slew of mergers and acquisitions and endured technological disruptions such as the telephone. The residential ADT security service recognizable today grew out of the 1980s and '90s with Atari-size control

panels and alarm keypads plucked from vendor catalogs.

By that point, the company was outsourcing hardware and software development; the ADT-branded devices available to customers were white-label generics whose safety specifications the company certified. Its real product was arguably marketing a solution to suburban crime fears through television commercials that could've been mistaken for trailers for a slasher film: "Maybe it was a stray cat...the house settling...or just the wind..." ADT's primary expertise today is in logistics. An army of more than 4,000 residential technicians blueprint security plans and handle snaking cords through ceilings and cramped attics.

The company assists with permits that municipalities typically mandate for professionally supervised systems and trains call-center dispatchers to coordinate with local police and other first responders if a panic button or infrared camera is triggered.



ADT's control app

Mark Reimer, who worked on and off at ADT beginning in the early 2000s before becoming its engineering director, says the company didn't invest much in research and development. The product group—if you could call it that, since it didn't really make products—reported to the marketing and IT departments and mostly built sales portals or tools to support field installers. Reimer describes the popular ADT Safewatch Pro 3000, a panel system that keypads and other traditional security alarms hook up to, as a "big metal canister with a door on it and a huge, like, car battery inside that you usually hide in a basement or closet."



ADT's ubiquitous lawn post

The company does have a tech lab, a satellite office around the corner from its headquarters in Boca Raton, Fla., but until recently it had mostly focused on reviewing outsourced gadgets. The Boca lab, as executives refer to it, is a brown-carpeted space outfitted with security devices mounted on racks and pegboards, emitting a cacophony of beeps and bloops as a small set of engineers tests them for reliability before they enter the field. In one echoey room filled with motion detectors, the team jacks up the temperature to more than 100F for days to simulate how the sensors perform in intense heat.

When private equity firm Apollo Global Management Inc. bought ADT six years ago for $6.9 billion, the company boasted 6.5 million subscribers and 17,000 employees. But its installers were hearing from customers about Google and internet of things gizmos, which were armed with computer vision and artificial intelligence. Meanwhile, several studies showed that about 96% of automated alerts from companies such as ADT turned out to be false alarms. The technology ADT bought from suppliers was far less impressive than what was coming from Silicon Valley, and the company had no credible plan to build products that could perform better. "We actually have not done an industrial design of a product before," says Chief Technology Officer Raya Sevilla. Reimer advocated for smartphone apps and integrations with tech companies but says DeVries's predecessor "defunded innovation," at least what little there was. Reimer quit.



Google's Nest doorbell

ADT seemed more interested in preparing for an initial public offering. DeVries, who joined the company under Apollo as chief operating officer, acknowledges its supplier relationships were "superficial" and it needed to clamp down on false alarms. But ADT's reliance on a subscription business simply got in the way of any significant change in strategy. "Eighty percent of our revenues are recurring," he says. "That can create a culture where the status quo is good enough."

That outlook changed after the company's IPO in January 2018 proved disappointing, with shares falling 12% on their first day of trading. DeVries became CEO that December and committed to yanking ADT out of the 20th century—if not the 19th.

Like its major rivals, Google has spent much of the past decade angling to dominate household automation. In 2014 the search behemoth spent $3.2 billion to buy Nest, a buzzy maker of high-design thermostats and smoke alarms, then followed up by buying security ▶

PREVIOUS SPREAD AND THIS SPREAD: PHOTOGRAPHS COURTESY ADT

◀ camera startup Dropcam for $555 million. Investors cooed about Google's potential to control the digital layer of the smart home. One analyst predicted that connected home device sales would jump eightfold, to almost a half-trillion dollars, by 2019.

It didn't work out that way. Google and Nest were beset by infighting over strategy and funding. Alphabet Inc.'s "other bets" division, which included Nest, lost $3.6 billion in 2016, and Chief Financial Officer Ruth Porat was aggressively trimming the fat. It wasn't just that hardware margins were razor-thin. The team had also made a "fundamentally flawed" wager on mass-market consumers preferring to rig up their own smart homes, according to Google Nest Vice President Rishi Chandra. "Not everyone's going to want to get on their ladders and drill holes in the wall to put a camera up there," he says. The struggling brand was folded into Google in 2018.

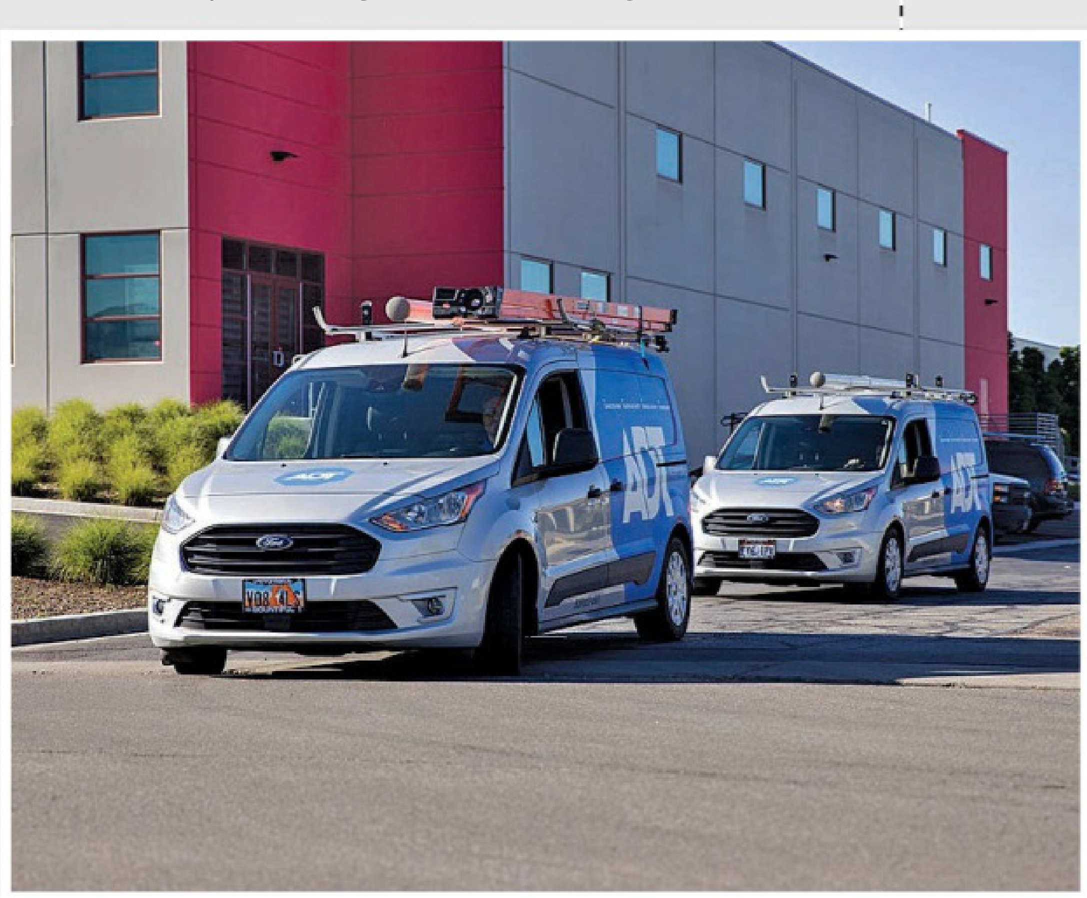
Google reached out to ADT the next spring. Discussions, which involved Porat, centered on the premise that the two companies needed each other. Porat wasn't going to hire thousands of installers any more than the Boca lab could build a team of thousands of computer scientists. Google offered to take an ownership position and enhance ADT's products, while ADT pledged to distribute an assortment of Google devices. "A match made in heaven," DeVries says.

When the companies announced the partnership that summer, ADT's stagnant share price briefly doubled. The deal terms are vague: Google isn't building any exclusive hardware for ADT, and there's no subscriber revenue sharing. Google is betting it can benefit from ADT's installer army hawking and embedding its devices as part of premium smart-home packages, enabling ADT to boost setup fees and monthly prices. ADT told investors in March that the company was already selling an average of 6,500 Google doorbells a week, lifting its own install revenue by $90 per home while helping its new investor reach customers at the exact time they're looking to spend.

For now the companies are focused on rolling out Google's video doorbells and Hub displays to ADT subscribers, with Nest Cams, floodlights, and thermostats to arrive in the coming months. Reimer, who was recruited back to ADT to run engineering, says customers now have a "special hotline to the Google engineers." Google managers have participated in ride-alongs with ADT reps to observe the installations, he adds, and have helped refine a professional installer app so field workers can "very quickly onboard like 10 cameras without having to hit 'next, next, next' " on the setup process like DIY'ers.

The biggest value may come from unique software integrations. Sevilla, the company's CTO, hints that a Nest speaker could act as a voice-activated panic button or even acoustically detect a window shattering. Chandra also has ambitious plans for using Google's AI software to improve issues such as ADT's high rate of false alarms. "In my mind," he says, "the future of security is going to be smart home."

The company is also trying to get serious about making its own tech. ADT is developing a software platform called ADT+ to track and control devices within the home—replacing the software it traditionally outsourced—as well as crafting a line of hardware products in a project known internally by the code name Speed Racer. Sevilla says the Boca lab is now learning from Google's design and wants to build. "Google doesn't make everything we need," he says. "And I don't believe Google wants to make everything we need."



At ADT's "innovation house," a mock home in Boca behind a salon and jewelry shop, DeVries says "smart-home adoption is massively growing" and is "at the center of ADT's transformation from a security-only company to a smart-home company."

Even that is apparently just the beginning of ADT's "smart" blitz. It recently acquired Sunpro Solar to get into what it calls smart energy, systems that inform people on how to make more efficient energy consumption decisions. In January it also announced a joint venture with Ford Motor Co. to produce smart-vehicle security systems, and it's formed a partnership with Lyft Inc. for smart-trip features, powering an emergency assistance service inside the ride-sharing app. ▶

COURTESY ADT

New York & Virtual

Bloomberg

Crypto Summit

Tuesday, July 19, 2022 | 09:00 AM ET

The Bloomberg Crypto Summit returns this July 19 for a second year with in-depth conversations about NFTs, the crypto industry, bringing Web 3.0 to the masses, the implications of competing metaverses and more.

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The ADT innovation house in Boca Raton

◀ This isn't the first time ADT has gone after the smart home. In 2010 it started a budget smart-home product named Pulse and invested significantly in Zonoff, a home automation software startup whose clients included LG Electronics Inc. and Staples Inc. Pulse didn't stave off Amazon.com Inc., and Zonoff went bankrupt in 2017. Wall Street seems to doubt that this new effort can fare much better. Despite ADT's posting first-quarter revenue in May of $1.5 billion, up 18% from the same period last year, its stock still trades at roughly half its IPO price.

Google may help with device integrations and machine learning, but it's not going to invent ADT's future. ADT's 10-K risk factors note Google could end up a competitor in security services, if not a Trojan horse. Both companies say that's not the case: DeVries shows no concern about disintermediation, and Google Nest's Chandra insists, "Yes, I'm getting Google technology in people's home, but the customer experience is with ADT."

BW Scan

Google executives have never mentioned ADT on its quarterly earnings calls

OK

Although Google doesn't come out and say it, it's clear it has less riding on the deal than ADT. A visitor to ADT's website is greeted with a banner across the top of the page offering free installation of a Google Nest doorbell, along with a separate promo reminding customers that ADT's system works with Google's voice assistant. The website for Google's Nest, by contrast, makes no mention of ADT and offers Handy Technologies Inc. and Dish Network Corp. as its "pro" installation services. Google executives have never mentioned ADT on its quarterly earnings calls.

While DeVries and his team prepare to introduce ADT+ and their original hardware in 2023, they're also protecting perhaps their most significant piece of intellectual property: the ADT lawn post. Last year, ADT sued Amazon's Ring in West Palm Beach federal court over the "brazen" knockoff of its trademark blue octagon. The companies reached a settlement a few months later after Amazon agreed to alter the design of Ring's outdoor siren, which ADT alleged was "virtually indistinguishable" from its yard sign. "If you think of the ADT logo, it's iconic like BMW or Mercedes-Benz," Sevilla says. "You can see it from a mile away."

In the Palmetto Bay house with the Thomas Kinkade painting, Hernandez, the ADT sales rep, staged a dramatic performance of handing off the ADT sign to the homeowner, who played along, posing for a photo as he planted it under a palm tree. The homeowner didn't end up springing for the Google upgrade, but he genuinely sounded pumped about the safety he anticipated ADT would provide, especially following a recent scare in which he found his front door slightly ajar.

Maybe the wind had blown the door open, but it's obvious that "peace of mind" remains an essential selling point for ADT, regardless of whether it stems from paranoia or a Kinkadian sense of the idyll. There are plenty of tales of ADT's heroic acts, which the company promotes on its YouTube channel under the title "ADT Lifesaver."

But for all the buzz about digitizing home security, it's not quite clear if these newer tech gadgets and apps make consumers safer or just make them feel safer. DeVries is wary of cameras and AI tracking everything, but he says people have a right to do what makes them comfortable on their own property. He's also well aware that fear and uncertainty are particularly good for his line of work. "To the extent that a recession comes with crime or the perception that crime is increasing, that's terrible for society," says DeVries, who has more than 20 security devices at his Florida home. "For our business, it's a demand catalyst." Ⓑ

COURTESY ADT

THE NEW COAL

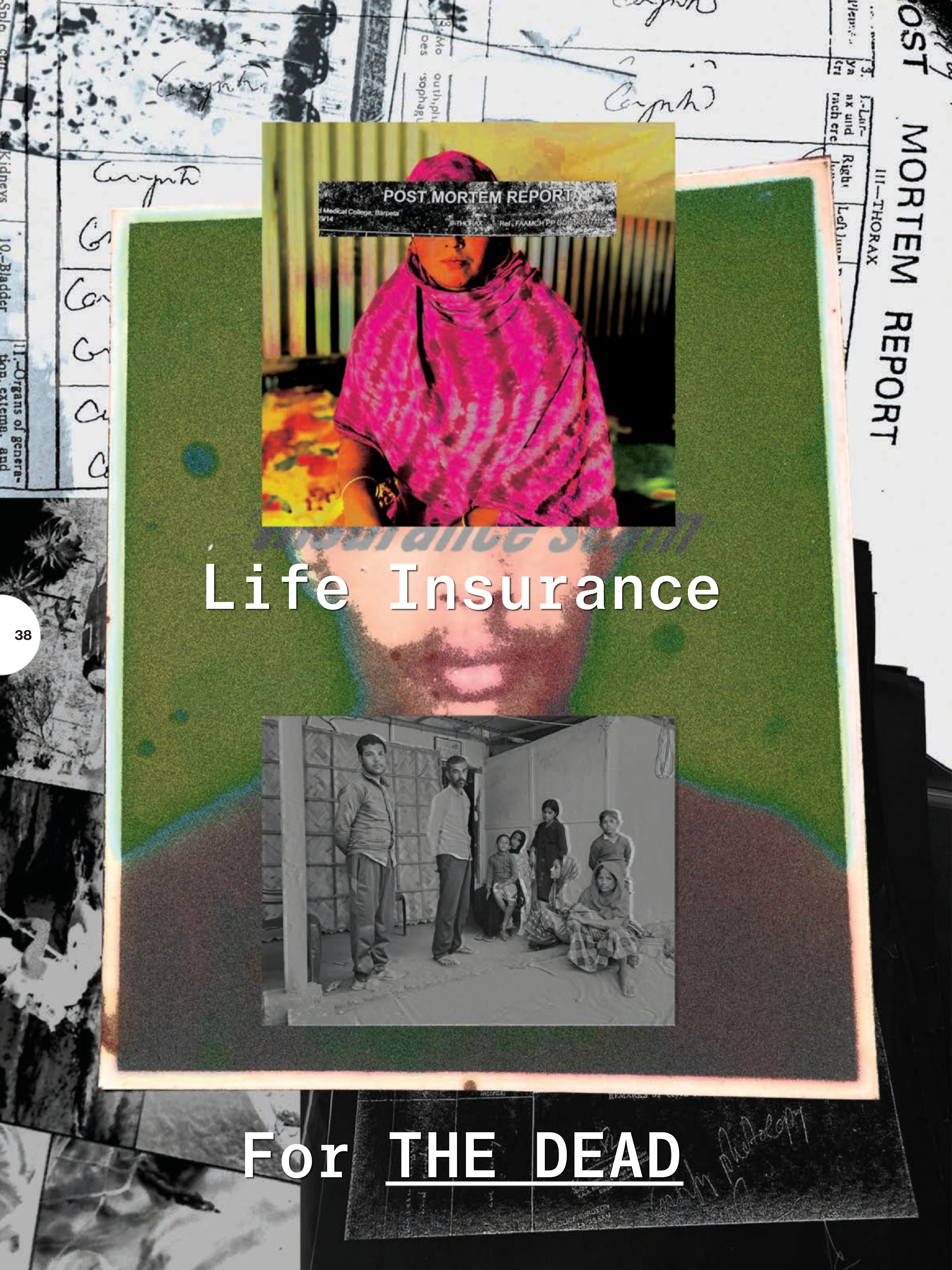
The plastic industry is on track to release more greenhouse gases by 2030 than coal-fired plants in the US.

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BEYOND PLASTICS



Life Insurance For THE DEAD

Amina Parbin was alone, sweeping the floor of her parents' home, when a man arrived on a January day in 2017 with a file in his hands. He introduced himself as a life insurance investigator and began pulling out papers. A payout claim. A passport photo. A death certificate—her death certificate. "Did you know Amina?" he asked.

"I am Amina," she responded, and "I am, in fact, alive."

It took seemingly Parbin's entire family—with her brothers and uncles rushing over from their farms and shops—to prove to the investigator that she was the victim of some kind of fraud. They eventually persuaded him to turn over the paperwork he'd brought. And that's how Parbin learned that a claim had been filed for an insurance policy on her life, one she never even knew existed. The claimant: her estranged husband.

Life insurance fraud is just one of the countless scams that have rippled through the district of Barpeta in northeast India. Two years ago thousands of people began bribing community banks to add their names to a cash aid program meant for farmers. It was a scholarship scandal before that. A Ponzi scheme made a killing before that. In this corner of the state of Assam, where Parbin and her family live, scam culture is so ingrained that some people take pride in the ingenuity of it all, joking about "brainpower." Occasionally, though, they make subtle reference to what's driving the scams: crushing poverty, government neglect, political oppression. Versions of this are unfolding all over India, where historically marginalized people are striking back at the state in the only ways available to them.

Insurance fraud is certainly not limited to Assam, or India. In the US, scammers cost nonhealth insurers upwards of $40 billion a year. In the UK, insurers uncovered 107,000 fraudulent claims worth almost $1.3 billion in 2019. But the way that India's life insurance is designed makes it an especially rich target.

India offers its citizens a basic life insurance policy that's rare for any government to provide. It costs the equivalent of about $4 a year and pays out roughly $2,600 when a policyholder dies, easily enough to cover two years of wages for a typical worker. In 2000 the government opened the system to private insurers, who crowded in and began to cut corners. Lacking even the most basic of checks and balances, the industry lost an estimated $28 billion to scams in the seven years through 2012, according to Deloitte.

In India, scams come in many flavors, varying over time and by region. Just as the greater Delhi area became notorious for job scams and Jharkhand emerged as the hub for phishing calls, Assam took to life insurance fraud. And arguably nowhere in Assam have investigators seen more of this type of fraud than in the district of Barpeta.

There, few if any residents have birth certificates, and other basic documents have become easy to forge. Husbands told insurers that their living wives were dead. Wives said their long-dead husbands had recently died anew. Siblings made up extra siblings who could fake-die as painlessly as they were fake-born. And in many cases, the scams were perpetrated by people who had no relation to the allegedly deceased at all.

Everyone in this rural but rapidly modernizing part of India seems to know someone with a story like Amina Parbin's. Life insurance scams began spreading across the district in the 2010s—just as strips of hotels, shopping centers, and private colleges were expanding. The commercialization did little for those who live there. They still struggle to gain access to health care, quality education, and good-paying jobs, making their villages rich grounds for easy-money cons.

The appeal of a quick payout was too difficult to resist, says Ismail Hussain, who lives in a village in Barpeta. Sitting in his vine-covered backyard, wedged between chickens and goats, Hussain is vague about his source of income, but takes great pride in owning a cemented house, a car, and his own fishpond.

An insurance scam came to him in 2011, Hussain says, when he was approached by a childhood friend in the insurance business. He asked Hussain to take out a life insurance policy so he could meet his sales quota.

When Hussain hesitated, the friend suggested he take out one on an imaginary relative instead. They came up with a phony brother, forged birth records, and bribed the local high school headmaster to certify that his brother had graduated in 2004. He paid $192 to buy a $32,000 policy from Aviva Life Insurance Co., naming himself as the beneficiary. ▶

BY Snigdha Poonam and Sadiq Naqvi

PHOTO ILLUSTRATION Chris Burnett

TEAR HERE

FAKED DEATH

A wave of fraudulent claims swept through the rural villages of India's northeast, until police crackdowns and Covid seemed to snuff them out—for a while, anyway

TEAR HERE

PHOTOS: SADIQ NAQVI (5)

◀ Hussain "killed off" his on-paper brother with a phony death certificate on Sept. 30, 2012, and filed a claim five years later. He says he had meant to file it sooner, but he had misplaced the policy documents.

Hussain's childhood friend, Manik Ali, had stumbled into the insurance fraud business a few years earlier. He'd been working as a claims investigator and making a lot of visits to Nagaon, in central Assam. "That's where I got the idea," he says. Policies were being bought there in the name of terminally ill patients, people who had died, and people who didn't exist. "The agents used to manage the police and the hospital authorities," Ali says. A system took shape in Barpeta, 200 kilometers west, where unemployed and underemployed men became insurance agents and began to scout for people to fake-kill. He eased right in.

In 2014 he found what seemed like a straightforward target. Twenty-five-year-old electrician Nowab Ali (no relation) was fixing a broken power line on April 14 when he suffered an electrical shock and fell to the ground. Onlookers rushed him to a nearby hospital, but doctors couldn't save him. According to an inquest form, he was wearing a "sky colour" shirt and yellow undershirt. His autopsy lists burn injuries on his hands and a wound in the temporal area of his scalp. Cause of death: ventricular fibrillation caused by electrocution. He was buried at his family's plot, in an unmarked grave next to his father's.

Not long after, says Mafida Khatoon, Nowab's widow, four men showed up at her door. It was Hussain, his friend Ali, and two other men. They asked for her husband's life insurance documents and told her they knew of a way she could double her payout. Without asking whether their methods were legal, she gave them her voter identification card, a receipt of the premium her husband had last paid for his life insurance policy, and her signature on some blank sheets of paper. Using this, the men impersonated Nowab and bought six more policies from five different insurers.

No one ever claimed the second body of "Nowab Ali"

For the scammers to collect, Nowab had to die again. Four months after his death, another man was admitted under the same name at the same hospital. This time around, the inquest form lists him as wearing a white undershirt. The cause of death on this man's autopsy: a coma from three head injuries. Manik Ali signed the man's inquest form, as did the real Nowab's brother-in-law, Ekabbar Ali. Manik Ali's own doctor, Shahidul Islam, signed a death certificate, despite not having been on duty that day.

From August 2014 to September 2017, an account in the name of Nowab Ali's widow received life insurance payouts totaling roughly $21,600. About $19,000 of that was routed to various partners in the scam throughout Barpeta, according to bank and other records obtained as part of a police investigation. Nowab's widow says the account was opened without her knowledge, and she ultimately received about $2,558.

A year after the payouts, police started arresting the co-conspirators. Their investigation began with a tip from an insurance agent that prompted Jitul Deka, then an activist fighting corruption, to look into Nowab Ali's death. Armed with postmortem reports and other questionable documents, he appealed to the Gauhati High Court for help, which prompted an investigation.

Hussain, Manik Ali, and the two other men who opened policies in Nowab Ali's name were among those arrested. So was Nowab's widow, for going along with the scheme, and the doctor, Islam, who signed the phony death certificate. Islam would eventually admit to taking bribes. Police say Manik Ali, Hussain, and the others confessed to being involved in several scams. (Manik Ali denies he was involved in Nowab Ali's claim. Hussain says the scam involving his fake brother was the only one he pulled. And Nowab Ali's widow says she only learned her information was used for fraud when the police showed up to arrest her.) They would go on to become the symbols of a broader crackdown in the region that exposed entire networks of relatives, village officials, doctors, insurance agents, brokers, bankers, postal workers, and police officials who all worked in tandem to defraud insurers.

No one ever claimed the second body of "Nowab Ali," which the police suspect the coroner on duty, Upendra Nath Talukdar, helped to procure. Talukdar, an inspector with the Assam Police, was manning the police post at the hospital when both Nowab Alis were admitted and was thus responsible for their postmortems. Shortly after police began investigating the case, Talukdar was found dead of a gunshot wound, an apparent suicide. Exactly whose body he might have used remains a mystery.

Last year, India's life insurance industry sold nearly 30 million policies. The largest of the insurers by far is the government-run Life Insurance Corporation of India, known as LIC. It controls close to two-thirds of the market, has roughly $500 billion in assets, and serves more than 250 million policyholders.

For years, LIC exclusively ran India's life insurance system with little oversight. It has never commissioned external investigators to look over potentially fraudulent claims. When the government opened the market to private insurance companies in 2000, those companies didn't hire

verification agents right away, one executive recalls. The system ran largely on trust—between companies and customers, customers and agents, and agents and companies.

It didn't take long for India's privatized insurance industry to turn cutthroat. Agents, facing ever-tougher targets for underwriting policies, resorted to shortcuts. They would ignore red flags such as age or income profile. They would shrug off medical conditions. And if they got caught and were fired by one company, they joined another.

Insurers thought the extensive police investigations, combined with Covid-19 lockdowns, would put an end to the schemes. Fraud cases noticeably declined. Local officials fielded fewer complaints. Scammers seemed to have gone dormant, emboldening Samiran Baishya, an investigator with the Assam Police, to say he is "99.9% sure that there are no cases" in the main district of Barpeta.

The villagers of Barpeta say that not only are the scammers back, but they're smarter than ever. "In the streets, we run into people who are hale and hearty"—and yet who, according to official paperwork, are dead, says Mainul Haque, an uncle of Parbin's.





Ekabbar Ali and Amina Parbin

Covid made the scam easier. The virus has killed hundreds of thousands of people in India, which has one of the highest mortality rates in the world. Death claims shot up across the life insurance industry. One insurer in India saw its death claims double in 2021 alone. The scale of the tragedy created another opening for scammers. State governments were flooded with claims after the Supreme Court ordered them to pay about $639 to each bereaved family. At least some have already proven to be fake. In March the court expressed concern about reports of doctors issuing phony death certificates in exchange for bribes.

In June 2021, Deepika Bhalla, who lives in a city bordering Delhi, answered her door to find two insurance investigators. They had come to verify a claim she had purportedly filed after her husband's recent death. Bhalla was stunned. Her husband had just left for work that morning, alive and well.

A fake death certificate had apparently been procured from a government office that registers births and deaths, and a fake bank account had been created in her name. It was all done by people neither of them knew.

The police suspect that an organized gang was behind Bhalla's claim. "It begins with data theft," says Mayur Joshi, a forensic investigator. The fraudsters buy stolen data of existing policyholders. They impersonate them to open bank accounts, fabricate death certificates, and file claims. Their operations run like assembly lines. The impact on the subject of a bogus claim can be devastating. Those dead on paper risk losing welfare benefits. They could even lose voting rights.

Since Bhalla's case, similar scams have been reported from seven other districts around Delhi. "It is happening everywhere," Joshi says.

Today, some insurance firms are reluctant to sell policies in Barpeta. Many have developed internal "blacklists" of places where they refuse to do business. They trade notes on problematic areas. And based on complaints, they regularly ban agents, fire employees, and take customers to court.

They're also turning increasingly to artificial intelligence to catch scammers. Claims are run through software that can, among other things, detect a forged document or a suspicious timeline. Internal risk analysis teams constantly run random checks.

The Insurance Regulatory and Development Authority of India is weighing a proposal that would include insurance fraud cases on people's credit profiles, possibly affecting their access to loans and credit cards.

Their efforts have not yet deterred the scammers around Barpeta. Throughout the region, old graves are suddenly being cleaned up and polished so they appear new, says Haque, Parbin's uncle.

Parbin has moved on. After the insurance investigator found her alive, her husband's claim was denied. A committee of village elders ordered him to apologize and pay her $2,600. The couple divorced. She has since remarried.

Village officials eventually learned that her husband had cashed in policies on more people—a lot more. "He must have done at least 500" policies, says Haque, who was then president of the village council.

Parbin's husband—Sapur Ali—admits that he fraudulently filed for his now-ex-wife's life insurance, but he maintains that the rest of the claims he filed were real. "Those people," he says, "genuinely died." Ⓑ

SADIQ NAQVI (2)



Would You Trust Your MEGA MILLIONS To This Man?

BY
Simon van Zuylen-Wood

PHOTO ILLUSTRATION
Chris Burnett

Jay Kurland built a practice giving legal and financial advice to lottery winners. He's now accused of fraud

LONG ISLAND

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By the spring of 2020, the lottery lawyer wasn't sure the walls were *necessarily* closing in. The FBI had started interviewing his insta-millionaire clients, though, and things didn't look good. The jackpots several winners had entrusted him to invest seemed to be dwindling, and Jay Kurland wasn't sure how much they blamed him.

Shortly before 9 a.m. on June 19, he hopped on the phone with his neighbor and business partner Francis Smookler, a tanned, easy-living ex-stockbroker. "My Staten Island clients are very concerned," Kurland said, singling out one couple. "You know, the visits, combined with the lack of payments."

"Do you think that that's going to explode into some big thing?" Smookler asked.

"No," Kurland replied. "At the end of the day, we made, we've got bad business moves, but it was nothing criminal."

Four days later, Smookler called another member of their team, a childhood friend named Frangesco Russo. The two were close; on the phone, they called each other "cuzzie." Frankie's grandfather was Andy "Mush" Russo, the long-time head of the Colombo crime family; his late father, Joseph "Jo Jo" Russo, died in prison. Frankie had kept his distance from the family business, but he was nevertheless acquainted with the criminal justice system. "We coerced these people into investing with us," Smookler told him.

Russo didn't seem too worried. "Maybe we conducted immorally. Fine," he said. "All I know is that a lawyer was giving me $5, $10, $20 million."

Smookler pressed. "They are going to say, though, that 'you guys made all this money.'"

"No no no no no. They are going to be very targeted on what they say," Russo told him. "And their target is going to be one specific person, I believe."

The lottery lawyer lives with his wife, Lauren, and their three kids on a tastefully landscaped property in a cul-de-sac with an impossibly twee name in Dix Hills, N.Y. A hamlet of 25,000, Dix Hills lies about smack in the middle of Long Island, ringed by a classic Suffolk County assortment of golf courses and car dealerships. Kurland is 48 and stands 6 feet 3 inches tall, with friendly, deep-brown eyes and a rangy, athletic build—he played goalie for Team USA's bronze-medal-winning 40-and-over ice hockey squad at the 2017 Maccabiah Games, in Jerusalem. A couple of times this spring, I drove out to his neighborhood to try to catch him at home. The scene each time: Amazon parcels piled on the doorstep, SUVs in the driveway, dead quiet and nothing doing in the middle of the afternoon.

For years, Kurland's life was as superficially placid as his suburban enclave. Not far away is the Chai Center, the "unorthodox Orthodox" synagogue where his kids went to preschool. Farther west, in Uniondale, is the predominantly low-income Walnut Street School, where he once mentored fourth- and fifth-graders. And a few minutes on is the law firm of Rivkin Radler, where as a partner Kurland cultivated a nationally known practice advising Powerball and Mega Millions winners bewildered by their sudden riches. Behind his desk he kept an oversize replica check for $245.6 million, made out to a Staten Island carpenter who later told investigators he'd found Kurland "very reassuring and comforting."

There were others in this ultra-specialized field, such as Kurt Panouses of Indialantic, Fla., the so-called Powerball Lawyer. But Kurland was America's foremost lotto-winner whisperer. Morning shows would book him for soft-focus segments; thelotterylawyer.com and @lotterylawyer were his. In 2018 he started representing the biggest solo lottery winner of all time, a woman who'd bought a $1.5 billion ticket at a convenience store in South Carolina.

As Kurland racked up more and richer clients, he started looking for more innovative ways to multiply their money. Side hustles emerged, and the cast of characters he worked with began to look less vanilla: In addition to Smookler and Russo, there was Christopher Chierchio, who ran a Staten Island plumbing business and has been identified in the New York tabloids as a Genovese crime-family soldier; Greg Altieri, a wholesale jeweler turned Ponzi schemer; and Kurland's own brother-in-law, Scott Blyer, aka DrBFixin, a cosmetic surgeon specializing in Brazilian butt lifts.

It all came to a head when, on the morning of Aug. 18, 2020, Kurland, Smookler, Russo, and Chierchio were booked on multiple counts of wire fraud and money laundering, accused of bilking three marquee lottery winners out of more than $100 million. Smookler and Russo were also accused of extortion. Federal prosecutors in New York laid out a scheme predicated on the trust Kurland had built with clients who were wildly unprepared for the opportunities and pitfalls of sudden wealth. Following Kurland's investment advice, lottery winners plowed cash into high-interest lending businesses run by his associates, for which he allegedly received secret kickbacks. After that, he put more of his clients' millions—without necessarily telling them—into a scheme to buy face masks from Asia at the raging height of the pandemic, then flip them for a profit. And for good measure, Kurland and his associates were accused of siphoning lottery winnings to pay for boats, luxury cars, country club memberships, and other clichés. Oh, and one of the crew threatened to murder the family of a man who turned out, inconveniently, to be a federal informant.

The defendants swiftly formed a *Reservoir Dogs*-style circular firing squad, pleading not guilty and accusing one another of committing crimes. Kurland's attorney, former federal prosecutor Telemachus Kasulis, argued in court filings that the lottery lawyer had been naive—the victim of associates who made off with funds he ▶

PHOTOS: LEN IRISH (2)

◀ thought they were investing responsibly. Smookler and Russo concluded on calls captured by a federal wiretap that "morality is against" Kurland and said he was driven by "simple greed," mocking him for excesses such as a black vinyl wrap for his Lincoln Navigator. Smookler darkly predicted that Kurland would land on front pages after hanging himself in his garage. Gerald McMahon, a defense attorney who has frequently represented alleged mobsters and began the case as Chierchio's lawyer, told me: "I've been at this for 40 or more years, and I've never seen a guy that was deader in the water with the evidence against him than Jason Kurland."

None of the accused agreed to comment for this article, though Kasulis said Kurland "looks forward to clearing his name at trial and rebuilding his life." All of the private conversations quoted in the story are drawn from transcripts of wiretapped calls, interviews conducted by FBI agents and prosecutors, or recordings made by confidential informants. Some of these materials were made public in court filings, and some I reviewed independently.

Kurland's trial is slated to begin in mid-July, barring a last-minute plea agreement. As the jury sorts through a wild constellation of shady rackets, they'll also be assessing the lottery lawyer's character. Was he a Long Island mook who got hoodwinked by friends in low places? Or did he smell the mega millions and decide he deserved a bigger share?

Before one of my excursions to Dix Hills, I called Rabbi Yakov Saacks, of the Chai Center, to get a sense of Kurland. "I know them as the sweetest, gentlest people," Saacks said of Jay and Lauren. "You know, you can tell on a person's face most of the time—doesn't always work—if they're a good person, a kind person. I mean, it has backfired on me in the past. Eight out of 10 times, I'm correct.

STATE USAGE

SOME LOTTERY LAWYER MILLIONAIRES

YEAR	DETAILS
2011	Putnam Avenue Family Trust (Tim Davidson, Brandon Lacoff, Greg Skidmore) Connecticut Powerball $254 million
2012	Rainbow Sherbert Trust (Louise White) Rhode Island Powerball $336.4 million
2016	Belinda Poblete New York Cash4Life $7 million
2016	Daniel Golio New York CASHX100 $5 million
2017	The Ning Trust Delaware Powerball $121.6 million
2018	Anonymous winner South Carolina Mega Millions $1.53 billion
2018	Sea & Sand Trust (Nandlall Mangal) New York Powerball $245.6 million

Kurland's first lottery gig was, as these things go, a famous one: In 2011 a trio of Connecticut hedge fund managers won a $254 million Powerball prize that nobody else was happy to see them claim. Kurland was working at a firm called Certilman Balin Adler & Hyman, slogging away on commercial real estate deals, and a client who was friends with one of the hedge fund guys put them in touch. The resulting exposure led to more clients, which led to a new professional identity.

The business Kurland established was premised on the ironic tendency for lottery winners to be terrible at managing their riches. There's an entire schadenfreude-driven subgenre of "lottery winners who lost it all" articles. A few years ago, Kurland listed for a *Vice* reporter some of the ways they tended to get ripped off, from muggings to bogus real estate schemes. "A lot of these winners are not sophisticated enough to see it," he said, "so you really have to rely on the professionals." Kurland pitched himself to clients as both a legal adviser and a financial consigliere. For a retainer and a monthly fee, he would advise winners on how to maintain anonymity, negotiate tax bills, park money in trusts, and invest wisely in general. Payment varied based on the jackpot's size; one typical client was charged a $100,000 retainer and $15,000 per month thereafter.

By the time Kurland met Smookler, in 2015, Kurland's lottery specialty was well-established. But for all its flash, he was still attached to the same suburban firm where he'd worked since graduating from Hofstra University's law school in 2000. Smookler had recently moved to Kurland's street, where he would tool around in a golf cart; he was a competitive sport-fisher and finance guy with a client list that he claimed included Shaquille O'Neal and other NBA stars. From Kurland's vantage point across the cul-de-sac, Smookler's lifestyle might have looked enticing.

It's not clear whether Smookler's life was really all that glamorous, but he certainly promoted it that way. On a personal blog written in the third person, he published self-aggrandizing if vague insights on golfing, racehorse breeding, and political networking. One post called Smookler "instrumental" to the rise of former Suffolk County Police Commissioner Timothy Sini; when I reached Sini, he said he'd never heard of him. Smookler also described Suffolk County Executive Steven Bellone as a "good friend"; Bellone's spokesperson told me they might

have met at a fundraiser. Smookler does seem to have known Shaq, since the blog features an undated photo of Smookler in a sweaty T-shirt, backing down the Big Aristotle on a basketball court; a spokesman for O'Neal told me Shaq didn't invest money with Smookler.

In 2015, Smookler was affiliated with a firm called Brookville Capital Partners. Old Brookville is the name of the Long Island town where he grew up, next door to Jordan Belfort of *Wolf of Wall Street* fame; Belfort told me he might have paid Smookler "a few dollars" to "pick up golf balls in my backyard" back then. Since 2003, records from the regulatory body Finra show, Smookler had settled hundreds of thousands of dollars' worth of disputes filed by roughly a dozen clients who claimed he and the firm mismanaged their investments. In early 2015, Finra fined Brookville $1.5 million for fraud and barred its president from the securities industry. Smookler declined to comment on these events, and the now-former president didn't respond to requests for comment.

Smookler had semi-retired from finance but was still pursuing new business opportunities. One night he met with Kurland and his old buddy Russo over beers. Smookler was aware that Kurland's lottery clients offered him access to tens of millions of dollars—a "spigot" of investing cash, he'd later call it. He told Kurland about a number of associated businesses he and Russo were starting, including one called Cheddar Capital. Their idea was to join an industry that had emerged following the 2008 financial collapse. After the crash, banks tightened lending requirements in ways that cut off small businesses that had bad credit or checkered legal situations, or that needed cash quickly. Cheddar would offer a form of loan called a merchant cash advance, an often-predatory instrument that commanded interest rates as high as 400% and was typically paid back in chunks withdrawn daily from borrowers' bank accounts. Merchant cash advances were especially lucrative in New York, which allowed the accompanying use of a confession of judgment, a punishing legal tool that lets a lender deploy a marshal to seize the signer's assets on the thinnest of pretexts. Did Kurland want in?

He did. Not long after he met Smookler, according to prosecutors, he bought a 20% stake in Cheddar Capital and began looking for other investors, promising above-market returns. In November 2016 he turned to his brother-in-law, Blyer, aka DrBFixin.

Compared with Smookler, Blyer was a master of internet PR, posting bawdy skits and graphic before-and-after-surgery pics for his 250,000 Instagram followers. In 2021 he self-published a book, *The BBL Bible: How to Get a Butt to Die for, Without Dying for It*. Its cover features a photo illustration of Blyer in sleeveless black scrubs, parting the Red Sea while flanked by Old Testament-y randos in white robes. The neon-accented lobby at his practice off the Long Island Expressway features a similar mélange of questionable taste and borderline-insane charm, with a floor-to-ceiling stripper pole and wall décor featuring butts that light up when spanked.

Blyer and Kurland are close. Kurland and his wife met at Hofstra, and before getting married they lived for a time with her parents and Blyer. Blyer later told prosecutors that he used to worry Kurland was "lazy and not a go-getter," but that when Kurland morphed into the lottery lawyer, he started to feel better about his prospects. Eventually, Blyer said, Kurland began to exhibit genuine entrepreneurial tendencies, talking about further profiting from his multimillionaire clientele.

> *"I've been at this for 40 or more years, and I've never seen a guy that was deader in the water"*

That was where Cheddar came in. According to Blyer's Department of Justice interview, he was often paid for surgeries in cash, and he'd told his brother-in-law he was looking for ways to avoid paying taxes on it. Kurland suggested Blyer fork over $100,000 to be invested in Cheddar. Blyer laid out the cash on his kitchen counter, then deposited it in shoeboxes for Kurland to bring home. Kurland had Cheddar mark down the investment as an "advertising" expense for Blyer's practice. Several months later, Blyer was back with an additional $200,000. (Blyer hasn't been charged with anything and is slated to testify at Kurland's trial.)

Kurland was serving up Cheddar to his lottery clients, too, though it's not clear they knew exactly what the company did. In the fall of 2018, Nandlall "Ricky" Mangal, the Staten Island carpenter who'd won the $246 million Powerball, got in touch, seeking representation. Mangal, a 42-year-old Guyanese immigrant, drove with his wife to Kurland's office. The couple were nervous, they later told prosecutors, but they agreed to every piece of advice he gave, from taking their post-tax winnings in a lump sum ($92 million, after taxes and fees), to hiring the banker and accountant he recommended, to going on a post-windfall vacation in Aruba.

Within a week of Mangal's win, Kurland persuaded him to deposit $5 million into Cheddar, after which the company sent Kurland $63,000. In January, Mangal invested another $5 million, and Kurland got another $63,000. Eventually ▶

◀ an additional $7 million of Mangal's money followed, to be invested in two affiliated cash advance companies run out of the same office as Cheddar. Prosecutors would allege that Kurland, Smookler, and Russo used these companies' accounts as a "slush fund" for personal expenses such as a Range Rover and a shopping spree at Dick's Sporting Goods. Mangal told the FBI he was happy to leave his investments in Kurland's hands; as far as he knew, he had no reason to worry. He said he wasn't aware of whether Kurland had a stake in the company or whether he received payments for steering investments its way. Neither Mangal nor any other former Kurland client responded to interview requests for this story.

According to prosecutors, a pattern formed: Kurland steered mega millionaires to the merchant cash advance companies, Kurland got a cut, and he and his associates helped themselves to the dough. It happened with a couple—referred to as the "Healthy Rainbow People," for reasons that remain unclear—who'd won a $150 million jackpot and put in $5 million. And it happened with the $1.5 billion Mega Millions winner from South Carolina, who was in for $30 million. Kurland bought a country club membership and started spending more time at Saks Fifth Avenue.

By the summer of 2019, it was shoebox time again. Kurland told DrBFixin he and his partners had expanded their lending business, thanks to a "diamond guy" named Greg Altieri, who was borrowing large quantities from their cash advance companies. Blyer told investigators Kurland asked him if he wanted to double down on his "advertising" outlays. He plunked down another $300,000 in cash.

The jewelry deal had started innocently enough. Altieri was another Long Island boy, from Melville, married with two kids. He'd worked his way up as a wholesaler, selling to clients including J.C. Penney and Kay Jewelers. His business appeared modest from the outside. But in 2018, he later told investigators, he discovered he'd been bilked by a smooth-talking acquaintance who'd claimed to be an oil heir, and he'd begun casting about for seven-figure investments. He caught wind of some local guys in the lending business.

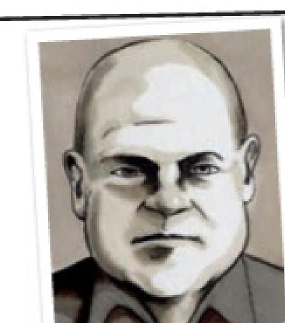
Smookler and a few others met Altieri for dinner at Rothmann's Steakhouse, on the North Shore, where the jeweler explained that he was buying pieces at "clearout" prices and flipping them for a 30% to 70% profit. The lenders were in. Kurland returned to some of his winners and told them about the opportunity. The South Carolina billionaire and the Healthy Rainbow People (both of whom have maintained their anonymity) agreed to put in almost $20 million, combined.

But instead of investing in jewelry, or anything at all, Altieri was running what was in effect a Ponzi scheme, using new capital to pay back his earlier investors, an archetypal Long Island mix of retired cops and firefighters. Inevitably the scheme collapsed. By the fall of 2019, with payments from Altieri drying up, Kurland was simultaneously assuring his clients not to worry and moving to protect his brother-in-law, returning Blyer's latest $300,000 in cash. Kurland said it was no longer a good time to invest with him, Blyer told the feds. He added that Kurland "looked terrible" and wasn't sleeping.

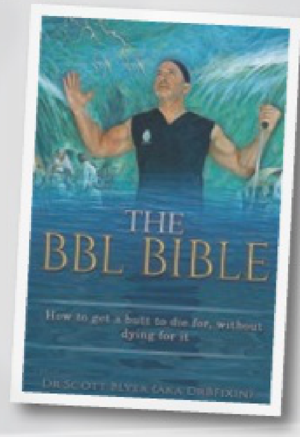
Kurland started pressing Russo and Smookler for answers; they began pressuring Altieri for cash. What neither Kurland nor any of his associates knew was that Altieri was cooperating with the government, and in March 2020 he started to record their calls. "Before the law can even arrest me, I'll have everyone with a f---ing bullet in the head," Russo told Altieri on March 26. "You're gonna get f---in' tortured," Smookler told him a few days later. "The village is burned. It's game over. You've ruined my life." Smookler said he hoped Altieri's lawyer would die in a car accident. Russo told Altieri his son's teeth would get ripped out.

None of it helped them: In July, Altieri was charged

THE DEFENDANTS

			
1 JAY KURLAND	2 FRANCIS "FRANK" SMOOKLER	3 FRANGESCO "FRANK" RUSSO	4 CHRISTOPHER CHIERCHIO
Charged with wire fraud and money laundering. Pleaded not guilty. Awaiting trial.	Charged with wire fraud, money laundering, and extortion. Pleaded guilty. Awaiting sentencing.	Charged with wire fraud, money laundering, and extortion. Pleaded guilty. Awaiting sentencing.	Charged with wire fraud and money laundering. Pleaded guilty. Awaiting sentencing.

with defrauding dozens of investors of close to $200 million. Six months later he pleaded guilty. The money was gone.



The BBL Bible

To make his lottery winners whole again, Kurland needed a Hail Mary. It came to him, or so he thought, in the form of Chierchio, the Staten Island plumbing entrepreneur and reputed Genovese family soldier. In his early 50s, bald, and solid-looking, he'd had mixed results with the legal system. In 2004, he was convicted of bribing a labor official, among other charges, landing him in prison for close to two years. In 2019, better luck: A jury acquitted him in a bid-rigging case involving a plumbing job in Park Slope, Brooklyn. "The smearing of my name—it destroyed my family, and my clients stayed away," he told the *Staten Island Advance* after the acquittal. "I'm 100% innocent," he added. "I just needed God on my side." In January 2020 he was convicted of tax fraud.

When the pandemic struck, Chierchio caught wind of a new opportunity: personal protective equipment. Governments were seeking contractors to provide PPE fast, and in the largest quantities possible. In March 2020, California signed an $800 million agreement to buy 400 million masks and 200 million face shields from Bear Mountain, a company run by former Alabama Attorney General Troy King. Chierchio somehow got himself acquainted with King, who was looking for subcontractors. Then he called a business associate in Miami, looking to raise $20 million to buy the PPE; the associate introduced him to some guys he knew on Long Island who worked with lottery winners.

Kurland didn't know Chierchio. But he leaped at the chance to work with him and asked his South Carolina winner if she'd be interested in the deal. Eager to put her money to philanthropic use—and unaware, according to prosecutors, that the jewelry money was gone—she assented, authorizing a $19.5 million payment. She told investigators Kurland said she could earn $300,000 a month in interest alone, which she requested be donated to charity. Ten days later, the government alleged, Kurland, given direct access to her bank account, took out another $19.5 million without her knowledge and funneled it to Chierchio for more PPE.

Perhaps predictably, Bear Mountain struggled to fulfill its contract with California, and the state pulled out of the deal. (King didn't respond to requests for comment; he hasn't been accused of any crimes.) It's not clear how many masks Chierchio ultimately sold or where he was getting them. Court filings point to China, though Vietnam and "Bill Gates's factory" were also invoked on phone calls as possible sources. Whatever California received, it ultimately paid Chierchio about $7 million, most of which he was accused of keeping for himself. As for the second $19.5 million investment Kurland got from his lotto client, it doesn't seem to have been invested at all. Chierchio appears to have kept $15.5 million for himself and divided the rest between his Miami associate's daughter and an entity controlled by Smookler and Russo. None of the $39 million made it back to the lottery winner, or to charity.

By May 2020, with the PPE money gone and Altieri about to be charged, Kurland was impressing upon his colleagues the gravity of their situation. "Every f---ing dollar we make," he told Russo, "should go back to paying out debt, before anybody gets a dollar." He pointed the finger at them. "I had no idea that we took—you paid yourselves, you bought cars, you used money for stuff," he said. "I'm not a stockbroker. I'm not—this is not what I'm supposed to be doing."

Speaking to Kurland, Russo and Smookler tended to soothe and parry. Among themselves, they ran the gamut of the seven stages of grief. There was denial ("We were normal guys running a fund that he just put on steroids," Russo said). There was bargaining ("I would sign up for that right now," Smookler mused, of a possible $1 million fine). Chierchio, evidently not grieving, had a different philosophy altogether. "Remember," he reasoned at one point, "you and I did not hit the lotto for $1.5 billion."

In the end, Smookler and Russo arrived at a grim acceptance that prosecution was inevitable. "I think they paint [the lottery winners] as the naive victims, they paint Jason as the mastermind lawyer, and they paint us as the behind-the-scenes guys," Smookler said on one call. "You got gangsters involved, you got famous lawyers involved, you got billionaires, you got the lottery, you got a case there."

In August 2020 they were charged, along with Kurland and Chierchio. Between the looted merchant cash advance investments, the disappeared Ponzi money, and the PPE that wasn't, the men were accused of improperly siphoning $107 million from former lottery winners and stealing or losing about $80 million of that outright. All except Russo were released on bail; the government cited his violent threats to Altieri, denying him release.

As the trial approached, dominoes began to topple. First Smookler pleaded guilty, copping to defrauding the lottery winners of $45 million and trying to extort Altieri. (Shortly thereafter, Smookler won a fishing competition in the Virgin Islands, hauling in a 39-pound mahi-mahi.) Russo, who'd apparently run out of money and was being represented by a court-appointed lawyer, pleaded guilty months later. Weeks before the trial, Chierchio joined them. The three await sentencing. ▶

ILLUSTRATIONS BY MAXIME MOUYSSET

There's something about the lottery lawyer affair that lends itself to an overactive imagination. This spring, I made one of my treks to Long Island, checking out various homes owned by Kurland's alleged co-conspirators, then trying his house. I'd called him, sent emails, and wheedled his lawyers to let him tell me his side of the story, to no avail.

I walked past a black SUV in Kurland's driveway—a wrapped Lincoln Navigator, maybe—and rang the doorbell. A full three minutes later, as a dog barked at me through a window, Lauren came to the door. She was pleasant but looked beleaguered. Through a barely cracked door, she told me her husband was at work. Rivkin Radler had fired him after his arrest; she wouldn't say who employed him now. I asked how things were, you know, going. "Horrific," she replied, looking at me like it was the dumbest question in the world. I scrawled out a little please-speak-to-me message for Kurland and headed home.

I started driving back and soon noticed a red sedan behind me. Affixed to the passenger headrest was an alarming *Friday the 13th*-style hockey mask. I chuckled and made eye contact with the driver, hoping to indicate I was in on the joke, but he just stared ahead. As the car followed me through three consecutive exits, I became less jolly. Careening onto the expressway, I took yet another exit and lost the driver—and, with him, my chance to become a character, if a doomed one, in the lottery lawyer's tale.

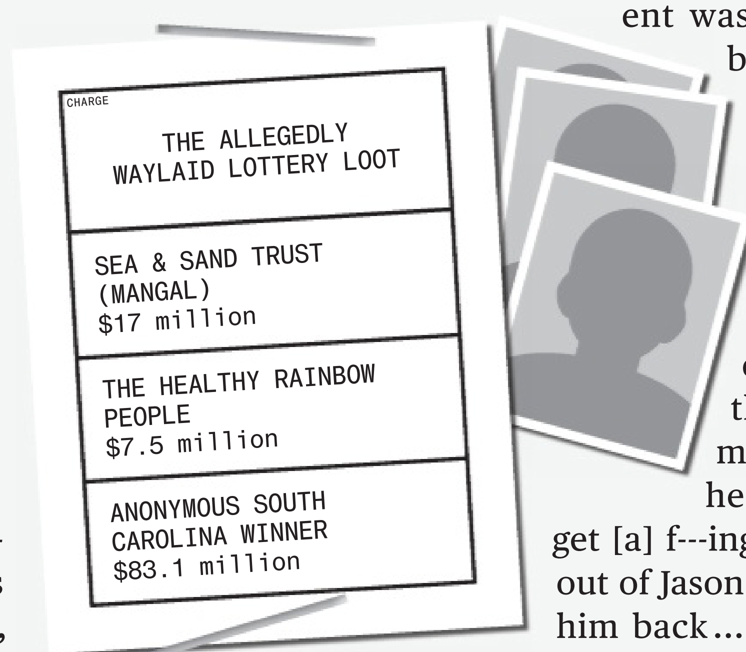
The men implicated in Kurland's case also seemed to regard themselves as supporting characters in someone else's plot. Russo, during a wiretapped call, mused that it wasn't "Joe Pesci" or "the guy from *The Sopranos*" who'd tried to take down his grandfather, but the feds. (Russo's grandfather died in April, while awaiting trial on a federal racketeering case involving a Queens labor union.) At other times, Russo compared Altieri to the jeweler played by Adam Sandler in *Uncut Gems* and the drug dealer played by Edward Norton in *25th Hour*.

And one day, after I'd left a message on Altieri's home phone, his wife called me back and asked if I could help her get in touch with the journalist portrayed in Netflix's *Inventing Anna*, about a fraudulent Manhattan socialite. She told me she couldn't talk without clearing it with her lawyer, but she seemed sure that, when the time was right, she had a binge-worthy story to sell. "Watching *The Tinder Swindler* and *Inventing Anna*—this is as big," she said.

Not long afterward, I reached Smookler on his cell. He spoke in a confiding, casual tone, clearly adept at running charm offensives. He told me he couldn't do an interview before Kurland's trial (he was slated to testify), and anyway: "I'm not going to be talking about this and doing that for nothing, right? This story is something that's eventually going to have a big price tag on it."

The core of Kurland's legal defense appears to be, essentially: One of these guys isn't like the other. "Unlike Chierchio, he is not accused of being a member of the Mafia; unlike Russo, he is not accused of threatening children," Kurland's attorney, Kasulis, wrote in a motion to sever Kurland's case from that of his co-defendants. "The government, desperate for something sensational to claim about Mr. Kurland, avers only that he spent money on cars, clothing, and his taxes—perhaps forgetting that he was a nationally recognized attorney with a profitable practice."

Kasulis accompanied his motion (which was later denied) with more than 100 pages of excerpted phone conversations purporting to demonstrate that his client was effectively tricked by his business partners. Even as Smookler and Russo were placating Kurland about the missing cash, Kasulis claimed, they were conspiring to keep it missing. On May 20, 2020, the same day Russo reassured Kurland that his clients' PPE investments were "looking pretty," he told Chierchio, "I want to get [a] f---ing $100 million line of credit out of Jason…I don't care about paying him back…. That's my whole plan, is not to give him back a dollar." A week later, sounding like a parody of a 1920s gangster, Russo added to his pile of incriminating boasts. "I treated Jay like a duck, like a chicken. I talked to him like prey."



Kasulis further argued that Kurland was waylaid by factors beyond his control. Kurland's clients lost money in the merchant cash advance business, Kasulis said, not because Kurland raided the accounts, but because he fell prey to a Ponzi scheme. In general, Kasulis argued, Kurland had steered his clients into businesses he'd taken a stake in because he believed in them so much.

Whether Kurland's case determines he was a crook or just a bad investor, it should serve as a cautionary tale for future lottery winners. If you've won a few hundred mill and you're reading this, consider stuffing your winnings under your mattress instead. Then again, you could always call the Powerball Lawyer. If it all ends in bankruptcy, at least you can pitch the story to Hulu. Ⓑ


33 billion pounds of plastic enter the ocean every year
Our ocean sustains life. But now they are being filled and killed by plastic pollution. 33 billion pounds every year. Join the campaign to save the oceans. Oceana.org/plastics
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Generations of Black Americans have lost their land, and their ability to build and pass on wealth, through tax lien sales

LOST WEALTH

TEAR HERE

TEAR HERE



Tawana Promprakai and Delphine Gillard on the land that once belonged to their family on St. Helena Island, S.C.

To the east of the Gay Fish Co. dock on South Carolina's St. Helena Island, a new bridge soars above the water, high enough for the shrimp boats to clear as they head to sea. It hits ground near the gatehouse for the private Harbor Island, where some of the colorful triple-decker beach homes have backyard tennis courts and putting greens. Across the water to the south, a guard turns the uninvited away from Fripp Island, a playground studded with luxury homes and three golf courses. The gate to a third private island is down Sea Island Parkway toward the mainland. Hilton Head is a short boat ride away.

In the middle of them all sits St. Helena, the largest of the sea islands that stretch out from the antebellum city of Beaufort. St. Helena has no golf courses, no gated guardhouses. Mobile homes are its primary housing stock.

Bordered by tidal estuaries, sounds, and bays, the island holds a special place in Black history. Freed slaves flocked here after the Civil War. They held political power and produced one of the highest concentrations of Black landowners in the US. Gullah culture, the richest expression of African traditions and language in the country, is centered here. But St. Helena is also a case study in how Black-owned land is lost.

Just west of the Gay dock, across an inlet filled with seagrass, sits one of St. Helena's few residential subdivisions—Horse Island, a loop of two-story homes, many with long docks reaching into the tide. John and Hilda Gay, founders of the fish company, developed the subdivision in the 1960s on 40 acres of land that a Black woman named Evelina Jenkins thought she owned.

For the final 35 years of her life, Jenkins lived across the street from the entrance to Horse Island, watching land that had been in her family for three generations become a middle-class subdivision, with lots snapped up by transplants from the inland South and the Midwest. She and her children made a living as farmhands and as nannies, cooks, house cleaners, dockworkers, and caregivers, including for the Gays and their company, while the land they once owned generated money for White families. One piece of it, an islet in the tidal river, eventually sold for $1.5 million as a private island.

Jenkins and her family were among "thousands and thousands of Black families who lost their land, or a better description is that they had it taken or stolen" in the first half of the 20th century, says US Representative Jim Clyburn, whose district includes coastal South Carolina. "I distinguish 'taken' from 'stolen' because these were things that were done in plain sight and with the help of government."

The loss has repercussions for family wealth to this day. "Those are the things that people don't think about," Clyburn says. "They think about how somebody can now sit at a lunch counter and ride anywhere on a bus. But that is not the real legacy of Jim Crow. The real legacy is this kind of stuff. That's the wealth taken from Black families. And White families got wealthy unfairly. And it was legal, all legal."

On the day Jenkins found out her family's land was gone, she'd planned to pay her annual property taxes the way she always did, giving the money to a White man who'd get it where it needed to be. It was sometime in the 1960s. She caught a ride across the Richard V. Woods Memorial Bridge into Beaufort and went to the office of a lawyer named William Levin, to whom she'd been passing her tax money. This time, Levin told her that the land wasn't hers—he'd bought it decades earlier at a sheriff's sale for back taxes. The cost was $26. The money she'd been paying had been rent, he said. He was telling her because he'd sold the land in 1961 to the Gays, and now they intended to subdivide it. She and her family would have to move.

"She came back just distraught, so upset," says Delphine Gillard, Jenkins's granddaughter. "It crushed her."

Many details are lost to history, including how Jenkins's land ended up in a tax sale in the first place and why the family wasn't aware of it. Some family members blame Levin. Others suspect a relative helped divert the tax money. No one has any proof. County records show that the land was sold in 1932, and census records partly back up Jenkins's claim that she had no idea it was gone. The family told census takers in 1940 that they owned the land free and clear. They may have said the same in the 1950 census, but it's impossible to know. The US Census Bureau neglected to microfilm that year's housing forms for much of the country, according to the National Archives, and they're now lost.

"Families, they hand things down to their people. We didn't have that kind of start"

The ripple effects of the wealth transfer are less elusive. The White families who ended up with the Jenkins family land would have been prosperous anyway; the land made them more so. For Jenkins's family, the land was a lost opportunity to build wealth. "I grew up thinking we were the poorest people in

the world, but apparently we weren't at one time," says Rosalyn Small, a great granddaughter of Jenkins who lives in Huntsville, Ala. "Families, they hand down things to their people. We didn't have that kind of start. Everything we did, we had to do it on our own."



Jenkins

The Jenkinses' land was lost in an early version of a tax collection mechanism still in place today, the tax lien sale. Levin gained ownership of the land by paying the family's back taxes, plus some fees. The family then had a year to pay him back, plus interest—but, not knowing they'd lost the land, they made no effort to get it back.

Andrew Kahrl, a professor of African-American history at the University of Virginia, is an expert in the role tax policies have played in shaping the racial wealth gap in the US. He's paid particular attention to tax sales such as the one that cost the Jenkins family their land.

Tax sales have been around for at least a century, Kahrl says, and took wing in the Great Depression, around the time the Jenkins land was lost. Interstate Bond Co. in Atlanta developed the first large-scale business based on tax sales, paying delinquent taxes on farmland in the South. Typically the company didn't want the land; it made its money from the interest farmers had to pay to get it back. The idea spread. In cities across the US, a new breed of "lawyers turned tax-buying speculators" sprang up in response, often targeting poor minority neighborhoods, Kahrl wrote in a study of a predatory tax lien operation in Chicago in the 1970s. (In that instance, a lawyer known as Chicago's tax lien king got a key deadline for repayment moved to right after Christmas, in a successful bet that many homeowners would be distracted and short on cash.)

The tax lien industry took off particularly in the states that allowed the highest interest rates and offered taxpayers the least protection. Some states allow usurious interest. In Texas, taxpayers pay 25% if they redeem their land within a year, 50% if they take longer. In Indiana, Maryland, and South Carolina, investors collect interest not only on the owed taxes and fees, but also on whatever premium they paid over that amount, which encourages investors to bid more at auction and makes it harder for taxpayers to buy back their property.

Black families in the US bear a heavier tax burden than White ones. A 1973 study by the Department of Housing and Urban Development found higher tax rates in Black neighborhoods in 10 cities across the country. More than four decades later, a 2020 report from the Federal Reserve Bank of Minneapolis found Black and Hispanic homeowners paid 10% to 13% more in property taxes than Whites for homes with the same market value.

Today 30 states sell tax liens, and investors buy $3 billion to $5 billion in tax liens a year, says Brad Westover, executive director of the National Tax Lien Association, a trade group. Tax sales help local governments pay for services and generally don't cost families their homes, Westover says. Less than half of 1% of liens result in a taxpayer actually losing their property, and 70% of the land lost that way is vacant, according to the organization.

"Most of the hedge funds and people who are in this space recognize that this is simply an arbitrage business," Westover says. Investors "do not know anything about the demographics of the delinquent taxpayer."

Regardless of what investors know, a number of studies agree: Black families are disproportionately represented both in the ranks of those whose property is sold at tax lien sales and those who later lose their land because of it.

St. Helena Island's place in Black history was forged by two events related to the US Civil War. The first was the Great Skedaddle of 1861, in which the entire White population of Beaufort—then the summer home of the sea island planters and one of the wealthiest cities of its size in

PREVIOUS SPREAD ILLUSTRATION PHOTOS: LIBRARY OF CONGRESS (4). JENKINS: COURTESY JENKINS FAMILY



Part of the 66 acres bought by Caesar Scott and lost in tax sales

citizens of their rights in the Jim Crow era, which lasted until the civil rights movement of the 1960s. Land ownership "led to the sustenance of this community that was able to bolster itself against Jim Crow for a very, very long time," Grego says.

Jenkins's grandfather Caesar Scott bought 40 acres of St. Helena's Pine Grove Plantation in 1884, paying a former Union Army soldier from Massachusetts $400. Scott's holding included the land that would later be called Horse Island and a smaller island called Little Horse. Scott and his family, including daughter Olivia Scott Jenkins and granddaughter Evelina, worked the land, growing vegetables and rice.

◀ the US—fled overnight in advance of the Union Army. They abandoned mansions, plantations, and an estimated 8,000 to 12,000 Black slaves. Local legend holds that soldiers from the North found only one White man in Beaufort, and he was drunk. The army paid the left-behind Black population to farm, making them de facto if not yet legally free. Northerners rushed to St. Helena to help, creating schools and training programs. Word spread. By the summer of 1862, almost 3,000 refugee slaves had found their way there.

The second event was the Union Army's Special Field Order No. 15 in January 1865. It confiscated 400,000 acres along the Atlantic Coast from North Florida to Charleston, S.C., including St. Helena, and ordered the land given in 40-acre plots to freedmen. The order—the storied promise of 40 acres and a mule—was rescinded after the assassination of President Abraham Lincoln, as Andrew Johnson invited White planters to reclaim their land. Many did so, but not on St. Helena, now heavily populated by Black farmers with four years of freedom under their belts.

The freedmen bought the abandoned land, often from Union soldiers who'd acquired it for taxes. By the late 1880s, the area's population was more than 90% Black, with "really, really high rates of land ownership," says Caroline Grego, an historian of the period. Farmers supplemented their income working in the phosphate mine and harvesting oysters to sell in town. They built a middle class and political clout, including a Black sheriff and port master. They sustained this society for almost two decades after the White South began stripping Black

Evelina was tall and slim. "She had some Native American blood, and you could see it," says Gillard, whom Jenkins raised while her mother cared for a child of the Gay family. "Her mother was Blackfoot. She had a tiny nose, and her eyes looked like they always had eyeliner." Jenkins wore work clothes and was always working. She had a longtime boyfriend and two children who lived to adulthood. She was known in the family as a wizard with numbers.

Her wooden house had porches front and back and was full of children, including Gillard, her six siblings, and her cousins. All of them called Jenkins Mama. She grew okra, tomatoes, corn, and famously large sweet potatoes, sold most of her harvest, and gave some away to the community. She fished in the tidal waters, casting nets she made herself. "She basically lived off the land," Gillard says.

By the 1930s, when Jenkins was in her 20s, the island's prosperity had been battered by two hurricanes and the loss of the phosphate industry, along with Jim Crow and the Depression. "People were desperate," says Stephen Schein, a White native of Beaumont whose family ran grocery stores that served the local Black population. "They had nothing. They had houses you could see through. There were unscrupulous people who would tell you, 'You owe so much in taxes that you are going to go to jail. All you ▶



IMAGE 1
Children leaving school on St. Helena, circa 1900

IMAGE 2
A farmstead on St. Helena

IMAGE 3
A teacher with children in the school garden

IMAGE 4
Agriculture on the island

IMAGE 5
A map of the island from the early 20th century









FROM THE PENN SCHOOL PAPERS, WILSON LIBRARY, UNC-CHAPEL HILL (5)

◀ need to do is sign over your deed to me.'"

The use of White middlemen to pay property taxes was common. So were tales of predation, especially with property taxes. "People were doing stuff who had access to the Black population, because the Black population trusted them," says Joe McDomick Jr., a retired Black judge who worked for years to save St. Helena's Black-owned land from tax sales. "There were some Black folks back in the day who didn't feel safe going to the courthouse to pay their taxes. They thought it was not necessary if they could have a White person do it for them. It could be anybody. It could be an insurance person. We had White people going door to door collecting insurance, and people would give them their tax money. It could be a neighbor."

For almost 40 years, tax sales on St. Helena and in the rest of Beaufort County went through the county's sheriff, J.E. McTeer. Appointed in 1926 at the age of 22 to fill his dead father's seat, McTeer remained the top law officer in the majority-Black county until he was voted out in 1962. A White man, he prided himself on using his own version of African witchcraft or voodoo to control the island's Black population, brazenly making up hexes and spells in competition with St. Helena's Black witch doctors. In part because of that, he never had to carry a gun. He would later get into real estate development on St. Helena and write a book on his magic trade: *Fifty Years as a Low Country Witch Doctor.*

Records about the Scott land are a mess. They show that by the end of his life, Caesar Scott had 66 acres on St. Helena. McTeer sold it all from Scott's estate in 1932 at a sheriff's sale for $26. He sold the same property at a sheriff's sale again in 1936, for $40. The double sale is a mystery. The buyer both times was Levin, who for a time shared a downtown Beaufort office building with McTeer.

Levin was one of five children of shopkeepers Morris and Alice Levin, who'd immigrated from Russia and were part of a small but vibrant and progressive Jewish community in Beaufort. A great nephew, Ken Goldman of Minneapolis, says his great-uncles and -aunts were on the right side of civil rights history in a South that was not easy on Jews. He remembers the veranda of their Beaufort home full of friends from the North.

William "Willie" Levin was one of the most respected lawyers in Beaufort. He bought roughly 60 properties over the years, including an historic house on Beaufort's downtown Craven Street and 19 properties purchased for taxes at sheriff's sales, many on St. Helena. The Gays paid him $5,000 for their piece of the Scott property and subdivided it into dozens of lots, which they began selling for a few thousand dollars apiece.

The loss split the Jenkins family. Some relatives refused to speak to Evelina for the rest of her life, convinced she'd secretly sold the land

John and Hilda Gay moved to St. Helena to start their fish company in 1948, leaving a nice home on neighboring Lady's Island for a house so rickety "you could look through the floor boards and see the chickens," says Charles Gay, their son, then a toddler. Almost everybody else on the island was Black.

Gay remembers his father buying Horse Island: "Daddy bought it from the lawyer, Levin," he says. It was an easy transaction compared with a second purchase of land next door to Horse Island—now also a subdivision—from a relative of the Jenkinses named Ernest Middleton. It ended up in court nine years later, after other heirs "came in from New York in a limousine" and sued, Gay says. "We had to buy it back on the courthouse steps after nine years, for a lot more money."

He says it was a good thing they did, though. "Property values have gone way up. Property on this island has gone crazy," he says.

Gay doesn't remember anyone living on Horse Island. He says he and his family knew the Jenkins family, though, both before and after they bought the land. "Yes, of course," he says. "They worked for us. So did Ernest Middleton. He worked for us until he died." Jenkins family members worked on the docks and on the boats. Gay remembers one who worked as a caretaker for his parents as they aged: She was known for ferociously protecting his father's post-lunch nap.

Over time, the land benefited both of the White families who acquired it. Hilda Gay transferred several lots on Horse Island to her six children, who also inherited Little Horse Island after her death, according to county records. The children sold Little Horse for $200,000 in 1998, though Charles Gay argued then and insists now that they should have held on to it.

For Levin, the benefits of his real estate ventures went largely to his niece, Helen Levin Goldman, now a retired college professor living in Minneapolis. Levin gave Goldman and her late husband, Larry, one piece of St. Helena land in 1972, for $10. Ten years later, Levin died

and she inherited the Beaufort house. In 1998, Goldman sold the house to an historic Black church and gave 8 acres from the former Jenkins land to her three sons, including Ken Goldman, a marketing and retail entrepreneur, who spoke for the family.

Ken Goldman says he is fascinated by Jenkins's story and its implications for intergenerational wealth, but he is skeptical that his great-uncle did anything unethical. The family remains politically liberal. Goldman says he was stunned by what the George Floyd murder in 2020 laid bare about his city's racial relations and policing. In response, he began reaching out to released felons to offer them employment at his newest startup, an online dog accessory business that took off during the pandemic.

Back in South Carolina, the loss of the land split the Jenkins family. Some relatives refused to speak to Evelina for the rest of her life, convinced she'd secretly sold the land and pocketed the proceeds. "They painted her to be a bad person, like she purposely sold it and then we got all this money," says Tawana Promprakai, a great-granddaughter who lives near the entrance to the Horse Island subdivision. "That wasn't right. She was displaced. She was kicked out of her home."

After losing her land, Jenkins enlisted the help of neighbors to dig out her wooden house and move it to a small plot across the road from the entrance to Horse Island. A cousin had given her the land to keep her from homelessness. Over time, the house deteriorated, and Jenkins moved into a double-wide trailer on the property. Eventually the fire department burned down the house for a training exercise.



Jenkins's wooden house

Jenkins never got over losing the land and the rift it caused in her family. When she suffered a stroke in 1990, she talked about it all the way to the hospital in Charleston, Gillard says. "She kept saying, 'They took my land, they took my land,' as the ambulance took her away."

Activists have worked to rein in tax sales of Black-owned land on St. Helena. They show up at sales and urge investors not to bid on so-called heirs property, which has been passed down without wills, until heirs can clear up the title. They make sure families such as the Jenkinses know when the rights to their land are about to be auctioned off.

Families rich in land and poor in capital continue to struggle to pay the rising taxes on the increasing value of their land, the same dynamic that plays out in gentrifying neighborhoods in cities across the US. Beaufort County has tried to protect St. Helena's Black farming culture with zoning that forbids golf courses and gated communities, but the value of the land keeps rising.

The threat of tax sales only got worse when the pandemic dried up the tourism jobs at neighboring island resorts. The tax sale market has been flooded, says Theresa White, whose nonprofit Pan-African Family Empowerment & Land Preservation Network Inc. raises money to help Black families pay back taxes on their land. White wrote South Carolina Governor Henry McMaster in 2020, asking him to delay the October tax sales in the state and give families more time to buy back property lost in the 2019 sale.

Families are "on the ropes from Covid-19," she wrote. "Clear evidence of that can be seen just driving through communities here in Beaufort County, where a sea of ▶

◀ neon green signs have been posted on houses, gates, fences, and trees announcing that the property they're on has been seized."

White called the looming 2020 tax sale "a scandalous state-sanctioned land grab of poor, unemployed, and Black people's land by rich investors and developers from across the United States."

South Carolina law gives families a year to buy back their property for whatever an investor paid for it, plus as much as 12% interest. The interest rate is on the low end nationally, but the cost can add up in coastal areas where competitive bidding often takes prices far beyond the required minimum of twice the taxes owed.

The state didn't delay the 2020 tax sale. It did pass a



A housing development on St. Helena

law giving families another year to redeem land lost in 2019, as long as they paid another year's interest. That displeased tax sale investors including Mercury Funding LLC of Memphis, which sued. According to county records, the company had paid almost $3.5 million in the 2019 tax sale in Beaufort County for property with only $95,521 in delinquent taxes. The delay meant it had to wait another year to sell, if the land wasn't redeemed. Lawyers for Mercury didn't return several calls and emails for comment.



The state Supreme Court threw out the extension on a technicality in July 2021, but not before the longer payment timeline had helped many families redeem their land, says Maria Walls, Beaufort County's treasurer and one of the few local officials who supported the delay. In 2019 and 2020, 136 properties on St. Helena sold at a tax sale. Thanks in part to the extension and donors, owners bought back 113 of them. In the most recent tax sale, which happened in October, 36 properties—out of 258 total in Beaufort County—were sold. A total of $32,366 was owed on them. They sold for $486,796. The delinquent taxpayers have until this October to redeem the properties.

Evelina Jenkins died in 1997. Her descendants forged their own way. Some still live on St. Helena. Many have moved away. There's no way of knowing how their fortunes would have been different if the land were still theirs. Gillard says that it's the principle that matters most and that the people who got the family's land shouldn't have been able to benefit from it unfairly.

To Small, the great-granddaughter from Huntsville, the property might have helped her provide a home for her mother, who spent her life cleaning houses and now lives in a subsidized senior apartment off-island. It also might have helped pay for the education that she and other descendants were able to get only by enlisting in the military or taking on debt.

Some of Jenkins's heirs worked or work at low-wage jobs, cooking and cleaning at nearby resorts or homes. Many, though, pulled themselves into the middle class. Forty of Jenkins's grandchildren and great-grandchildren graduated from college. Two have master's degrees. Gillard has a doctorate and is a school administrator and educator. Promprakai, now raising her family at home, was a special-education teacher. One great-grandson is in the Navy. A great-granddaughter is an economic analyst at a bank.

Those successes don't erase the pain that's part of Evelina Jenkins's legacy. It's said in the family that some of the children who'd moved from Horse Island with her had no idea what had happened until later. They would wander down to the water to catch crabs and wave at the White children moving in.

"The land meant something to us," Promprakai says. "This was a personal attack on what we had accumulated as a family."

"Having the homestead is what is missed," Small says. "Compared to everybody else, they have some place and we don't." B

TEAR HERE

TEAR HERE

BY Francesca Maglione

ILLUSTRATIONS BY Nichole Shinn

TEXAS

Christopher Faulkner knew how to woo potential oil investors: Write up a jargon-filled prospectus, then pump it hard when the price of crude starts to climb. It worked fabulously. Until it didn't



The Frack Master's MASTER CLASS

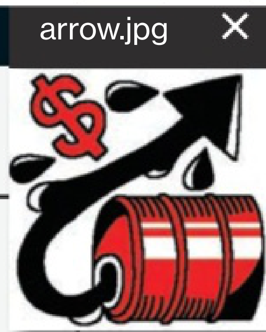
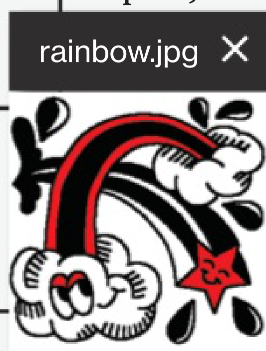
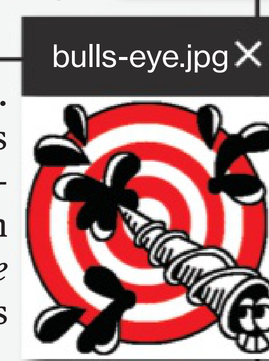
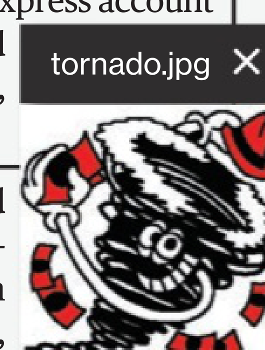
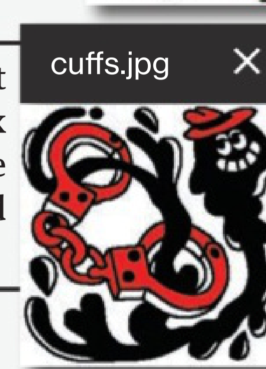
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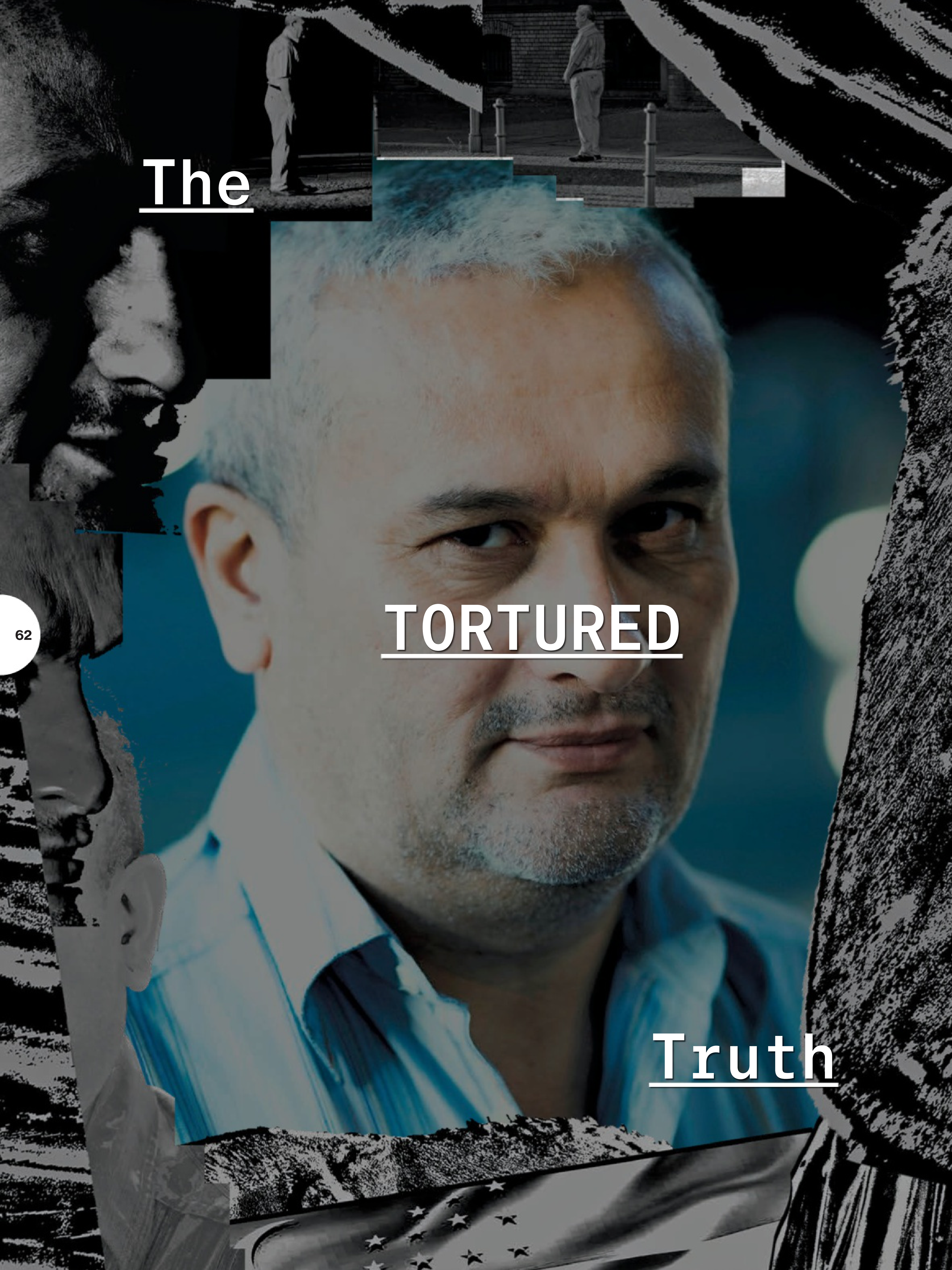


Scammers have long extracted cash from gullible investors seeking to extract crude from the Earth. A new breed of oilpatch con artist will promise to get you into fracking—injecting fluid at high pressure deep underground to fracture shale and release oil and gas. But in the grand tradition of charlatans throughout history, what they're really selling is a story. One that people with extra money can't help believing. A story that's guaranteed—guaranteed!—to double your investment in just a few months. Federal officials say such swindles can double when oil prices rise sharply. With crude up about 50% this year, prosecutors are bracing for a new wave of cases. Here's how Christopher Faulkner, a goateed Texan residing in federal prison since last year, pulled off a $70 million shale-driven Ponzi scheme when oil boomed about a decade ago.

FAULKNER: SIMON DAWSON/BLOOMBERG

1. WAIT FOR A PRICE SURGE	 Everyone in the US knows, viscerally, when oil prices go up. In 2010, just as the fracking boom got under way, crude started to climb, boosting interest among people who felt that, since they buy gas every week, surely they must understand what drives the industry.
2. CRAFT AN IDENTITY—AND SELL IT	 Faulkner called himself “the Frack Master” and bragged about his “diverse background” in the business. He presented himself as an oil expert, claiming academic credentials such as a master’s from the University of North Texas and a Ph.D. from Concordia College, according to court documents.
3. BUILD A DREAM, A TEAM, AND A COMPANY—OR FOUR	 Over the years, Faulkner claimed involvement in more than 15 oil and gas prospects in North Dakota, Oklahoma, and Texas. As his scam grew, he used at least four puppet companies and enlisted various partners to help carry out the fraud, prosecutors say.
4. PUBLISH YOUR PROSPECTUS	 The key here is specificity. The more jargon, impenetrable data, and complex plans, the better. Faulkner included estimates for drilling and expenses alongside details he’d lifted from real operators—but which he inflated to turbocharge the purported investment returns. Finally, he tacked on reports from a geologist with a reputation for exaggerating his findings, then pumped up the numbers even further.
5. TARGET YOUR INVESTOR	 Shale scams thrive in Texas, with its deeply embedded oil culture. Around 2009, Faulkner teamed up with a pair of experienced oil and gas investment brokers who helped with the marketing. They would cold-call potential investors from a list they bought from a “lead-generation company” in Florida. In 2014, Faulkner published a book called *The Fracking Truth* to bolster his image. Then he hit the airwaves, posing as an industry expert on CNBC, CNN, Fox, and—yes—Bloomberg Television.
6. DON’T FORGET THE STRIP CLUBS. AND THE BENTLEY 	Faulkner dropped more than $20 million of investors’ money over the years on personal expenses. In 2014 alone he spent almost $1 million at a personal concierge company for “private entertainment,” $380,000 at ultraluxe travel agency In the Know Experiences, $220,000 on private jets, and over $178,000 in New York nightclubs Lavo, Provocateur, and Tao. He called his company-issued American Express account his “whore card”—charging $1 million-plus at bars, in strip clubs, and with escort services. And then there’s the McLaren, two Range Rovers, a Mercedes, a Bentley, and a Jaguar, court documents show.
7. DO IT AGAIN. AND AGAIN. AND AGAIN	 To keep the momentum going, Faulkner on three occasions started over, with a new company, a new prospectus, and new marketing brochures drowning in falsehoods and unrealistic promises. And at each turn he managed to overcharge his investors and pocket the difference, inflating the numbers by as much as 800%.
8. DON’T GET CAUGHT	 Federal agents arrested Faulkner at Los Angeles International Airport in June 2018, charging him with securities fraud and attempted tax evasion. After pleading guilty, he was sentenced last year to a decade and a half at the federal penitentiary in Lompoc, Calif., and ordered to pay $92 million in restitution to investors.

The TORTURED Truth



BY Matthew Bremner | PHOTOGRAPHY Nora Hollstein | PHOTO ILLUSTRATION Chris Burnett

ABDUCTION

For more than a decade, a mysterious blogger struck fear into Uzbekistan's untouchable ruling class. Then they caught him

Bobomurod Abdullayev was a decent enough sports reporter, but he was a really good politics blogger. Household-name good. Getting-things-done good. So good that he lived in fear of government agents showing up to take him away. For most of the past two decades, Abdullayev kept this second beat a secret from even his wife and kids. Under his own name, he wrote jovial columns on soccer matches and posted YouTube videos of himself singing folk songs. But when he clicked over to a different tab, he became Usman Haqnazarov, the whistleblower who shook Uzbekistan.

Abdullayev's homeland, a landlocked former Soviet republic situated between Afghanistan and Kazakhstan, is best known for its cotton, its natural gas, and its autocracy. Islam Karimov, a member of the Soviet Politburo, simply kept running the country after it declared its independence from the USSR three decades ago. The local KGB became the Uzbek secret services, and President Karimov continued to rule brutally for another quarter-century. His secret services rooted out, tortured, and often killed enemies real and imagined. It barred foreign media and kept the state's approved press outlets closely in line. One person it couldn't seem to silence, however, was the mysterious Haqnazarov. Under this pseudonym—a name that means "God's all-seeing eye"—Abdullayev wrote juicy posts in extreme detail. He called out high-ranking politicians and other public figures he said had stolen millions of dollars in public funds. These public figures included secret services officials and the president's daughter.

Over the course of more than a decade, the Haqnazarov reports helped trigger international investigations and the seizure of almost $1 billion in what US law enforcement officials say were ill-gotten gains. A prominent Uzbek journalist, who spoke on condition of anonymity for fear of retribution, stated that, from the beginning, the posts were read with outrage in the upper echelons of Karimov's government. Although Haqnazarov became something of a folk hero, Abdullayev spent his nights terrified that his true identity would be exposed. "I had been scared of that day for a long time," he says. To avoid being traced, he'd concealed his identity from some of his closest sources and made sure not to post from his own home.

In 2017, the year after the president died and his longtime No. 2 took over, Abdullayev's luck ran out. While he was walking to the local mechanic to pick up his car, two men grabbed him by the arms, forced him into the back of their car, and pulled a black bag over his head. He was charged with sedition and conspiracy to commit treason and, he says, tortured by the special services. He says they beat him, left him handcuffed and hanging from the ceiling, and threatened to rape him with a rubber club. (At trial, the judge in his case said that medical experts weren't able to confirm torture.) Abdullayev was acquitted at trial but nonetheless sentenced to pay 20% of his earnings to the state for three years.

Public outcry, and Karimov's death, helped keep Abdullayev alive and secure his release within about six months. But even after he was freed, the regime offered few illusions about his long-term safety. State corruption in Uzbekistan remains pervasive, law enforcement still regularly uses torture to investigate crimes, and, despite press reforms, both foreign and domestic journalists continue to be harassed by the security services, according to the nongovernmental organization Freedom House. Early last year, Abdullayev fled the country. He's since taken up residence in Berlin, where he's been watching the Russian invasion of Ukraine—worried, he says, that his home government might tilt Vladimir Putin's way. On a new YouTube channel called Fakt va Fikr (Fact and Opinion), he speaks out in favor of free speech and against the so-called New Constitution, a set of amendments proposed by the regime that he argues would concentrate even more power in the hands of the executive. "I focus on the systemic problems in Uzbekistan," he says. "Nothing will really change if the system and the constitution do not change."

These YouTube videos can take on a pox-on-both-houses air unusual for a man who's spent half his life as an enemy of the state, and some critics say they're muddying Abdullayev's legacy. Others say it was plenty muddy all along, because his blog posts as Haqnazarov were prone to exaggeration and the occasional blunder. "His work is fiction," says Umida Niyazova, an activist from the Uzbek Forum for Human Rights. "It's no good for Uzbekistan."

Abdullayev doesn't deny that he often attributed ▶

◀ direct quotes to people he never spoke with and wrote as if he were inside the president's head. "I wanted the secret services to think I was someone in their inner circle," he says, and for a while, at least, that helped throw the authorities off his trail. Besides, he argues, if he managed to scare the government into behaving a little less badly, then surely those were the whitest of lies. As for criticizing the opposition along with the regime, he says he's merely speaking truth to power. Nonetheless, Abdullayev's case exemplifies the trouble with truth in the era of disinformation: If we can't take a whistleblower literally, what is he really saying?

Born during Soviet rule in 1973, Abdullayev grew up the oldest of four kids in Uzbekistan's rural west, near the border with Turkmenistan. Understated rebellion ran in the family. He vividly recalls his economist dad, who died when Abdullayev was in his teens, making fun of Leonid Brezhnev with family and friends. "My father was never afraid to say things the way they were," he says.

BW Scan

"The only odd thing I noticed during those years was that he slept a lot during the day"

OK

The independence of Uzbekistan brought with it elections and hope for democratic reforms, but that hope ebbed quickly as President Karimov consolidated his power. The new nation consistently ranked near the bottom of the press freedom index maintained by Reporters Without Borders, and longtime opposition leader Muhammad Salih fled the country after Karimov accused him of treason. Over the course of the 1990s and into the new century, the state increasingly seized private land and bribery became a crucial way to obtain government positions, state contracts, protection against criminal prosecution, and even basic public services, according to the US Department of State. During this time of growing repression, Abdullayev studied Russian philology at Tashkent University, and in 1996 he went to work translating documents for the country's central bank. "This is where I learned how the state inflated figures and cooked the books," he says.

Abdullayev traces his political awakening to the beginning of 2003, by which time he was married with three kids. On New Year's Day, he met with opposition leader Atanazar Oripov at Oripov's home in the capital city of Tashkent. Oripov told Abdullayev some wild stories about Uzbekistan's agricultural minister operating as a sort of shadow prime minister. A little more than 24 hours later, Abdullayev published his first blog post as Haqnazarov on the independent news site Centrasia and began cultivating sources inside Karimov's administration.

In Abdullayev's early years as Haqnazarov, he wrote about cabinet-level intrigue. He wrote about how the government compiled secret lists of political enemies, ranked on a scale from 5 (annoying) to 1 (a serious threat). And he wrote about how anything in official Uzbekistan could be bought with a cash bribe, whether a government post or a university degree. (A bachelor's cost a maximum of $1,000, Abdullayev says, and a doctorate $10,000.) Outraged comments flooded Centrasia, and opposition leaders quickly took note of the Haqnazarov posts. At the same time, the secret services began questioning journalists they thought might have a clue to the blogger's identity, including Abdullayev himself. He recalls feeling elated that his work was worrying the regime, in tandem with a deepening fear of discovery. He began taking more steps to protect his identity.

Abdullayev says he mostly got by on ideas from spy novels. When he was typing a post or taking a call, he covered the windows of his apartment with thick carpets to make it tougher to track his comings and goings or overhear his conversations. He saved his articles on floppy disks and published them from internet cafes, then burned the floppies. When he wasn't blogging, he strenuously avoided talking about Haqnazarov and did his best to play the fool. And his security measures seemed to work. Two of his most important



Karimova in 2013

CREDITS CREDITS CREDITS

sources say that for many years they had no idea who Haqnazarov really was. His wife, Katya, says that outwardly her husband remained as happy-go-lucky as ever and that she didn't notice anything suspicious. (Abdullayev told her the carpets were to block glare from street light on his computer screen.) "The only odd thing I noticed during those years was that he slept a lot during the day," she says. "I'd ask him, 'How are you going to learn anything about the world sleeping like that?'"

Abdullayev's early stories didn't get much play outside Uzbekistan. The Karimov government provided an airbase for US missions in Afghanistan and was an ally of some value to the Bush administration, which downplayed the regime's corruption. Around 2010, however, Abdullayev began writing regularly about Karimov's daughter, Gulnara Karimova, widely seen as a future presidential contender. Her company Zeromax, a big participant in Uzbekistan's food, textile, fossil fuels, and entertainment industries, had abruptly shut down and was said to have left behind hundreds of millions of dollars in unpaid debts.

In 2012, US and European authorities began investigating whether Karimova had used her influence in the telecommunications industry to demand bribes from foreign carriers. In 2017 the US Department of Justice seized $850 million tied to her, alleging that she'd laundered the money through the US financial system. By then, she'd been placed under house arrest in Tashkent, and the Uzbek courts sentenced her to 10 years in prison on charges including extortion, money laundering, and embezzlement. The sentence was soon lightened to five years under house arrest, but in 2019, around the time the US charged her with conspiracy to violate foreign corruption laws, Uzbek authorities jailed her for allegedly violating the terms of her house arrest. In 2020, shortly after she offered to return $686 million to the country's treasury if her case were dismissed, she received an extra 13 years in prison from the Uzbek courts.



Salih in 2001



Mirziyoyev

"I was glad to see her captured," Abdullayev says. "It verified much of my work."

Yet his reporting on this mega-scandal tarnished him, too. By this time, Abdullayev had begun working directly with Salih, the exiled opposition leader, and the investigative rigor of his reporting had begun to ebb, increasingly replaced by soap opera fluff. He wrote about extreme scenes that he'd be unable to support with evidence: ashtrays smashed against politicians' faces, the president by turns weeping and laughing maniacally to himself. In one Haqnazarov post from 2017, the blogger claimed that the head of the Uzbek security services had broken both his legs in an accident, but the security chief appeared on live TV the next day, walking just fine.

Abdullayev says Salih was his source on that one. (Salih denies this and says all of Abdullayev's claims about him are false.) Yes, Abdullayev says, he did exaggerate and change certain details, but the core of the stories was always true.

In 2016, Karimov died, and Prime Minister Shavkat Mirziyoyev took over. Mirziyoyev did institute some democratic reforms and pare back the authority of the secret services, but he also represented continuity with the Karimov era. According to Human Rights Watch, the new president had spent years overseeing forced labor, including child labor, in the cotton-producing region. Uzbekistan remained at the bottom of the global press freedom index. Early one morning a year into Mirziyoyev's tenure, Salih called Abdullayev. "I'm concerned," Salih told him, "the security services know who you are." A few hours later, they had him.

Abdullayev and Salih don't talk anymore. "I think I was betrayed," Abdullayev tells me in Berlin, sipping mint tea. The Uzbek government released Salih's brother, a political prisoner, in early 2017, and Abdullayev says he thinks his arrest was part of a quid pro quo. Salih vehemently denies this, and I couldn't find anyone ▶

KARIMOVA: YVES FORESTIER/GETTY IMAGES. SALIH: VLADIMIR POMORTZEFF/ALAMY. MIRZIYOYEV: PRESIDENCY OF UZBEKISTAN/GETTY IMAGES

◀ who could corroborate Abdullayev's claims on this front.

Whatever the cause, Abdullayev still bears emotional scars from his abduction and imprisonment. On a late fall morning last year, I meet him outside his apartment building in Berlin's Kreuzberg neighborhood. He's shorter and rounder than he looked in his photos, his face peppered with stubble, dark circles beneath his brown eyes. He seems nervous and fidgety and speaks slow, well-enunciated English, but switches to Russian once our translator arrives. He takes me to his studio apartment to tell me about the worst period of his life.

The men who abducted him drove him with the bag over his head for no more than 20 minutes, he says. Once they removed the bag, things got worse.

They led him to a basement, handcuffed him, and dragged him into a cramped room, where they suspended him by his hands from a large iron ring in the ceiling. Two new men entered the room, pointed to a bottle in the corner, and told him that it was his toilet. He spent the night hanging from the ceiling like a sack of wet clothes, unsure whether he was going to live or die. In the morning, a man brought him a plate of mashed potatoes and then escorted him to another room. There, two interrogators demanded that he confess his double identity, then beat him with a plastic pipe and a wooden truncheon. They threatened to rape him and his daughter if he didn't cooperate.

The torture continued for close to six months, Abdullayev says, until his trial began. During that time, he slept on three stools that he'd grouped together in his otherwise empty cell. He says the head investigator denied him a lawyer and told him, "You've been drinking our blood for 15 years. Now we will drink yours."

Given that Abdullayev wasn't one to shy away from stretching the truth, I ask him how much of this story was exaggerated. He insists it's all true. And it was undeniable that the Abdullayev who appeared in court in 2018 had been traumatized. Many witnesses told me he looked emaciated, and contemporaneous news reports described the veins on his hands as looking visibly swollen from several meters away.

BW Scan

"I'm on no one's side"

OK

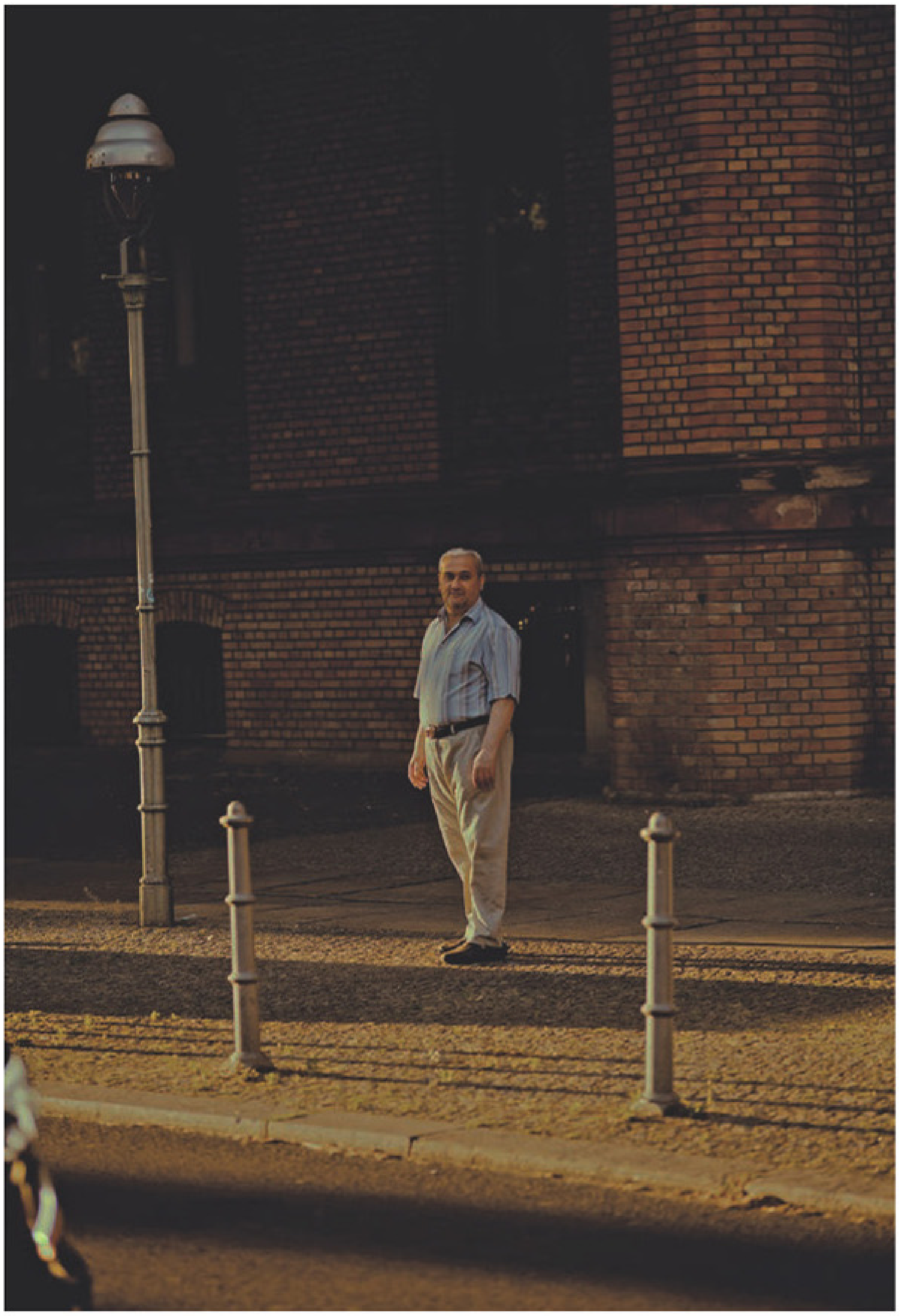
In court, Abdullayev was accused of sedition and conspiring to overthrow Uzbekistan's government. Apart from identifying him as Haqnazarov, the security services alleged that they'd found a digital manifesto that indicated that he, along with three other people, had been plotting a coup. Abdullayev's lawyer, Sergei Majorov, told the court that the file had been uploaded to the reporter's computer while he was in custody.

Fortunately for Abdullayev, President Mirziyoyev was seeking foreign aid to finance his economic agenda, and the trial presented an opportunity to show what his democratic reforms had achieved. Although Abdullayev was found guilty of writing anti-government articles as Haqnazarov, the sedition case was dropped because of the lack of evidence linking him to the manifesto, and he was released in May 2018, after seven months in prison. He then began to work in a glass factory, and, as a condition of his release, he had to pay 20% of his salary to the state.

That Abdullayev was released at all was, by Uzbek standards, a minor miracle. In the past, most people accused of sedition there would have been killed or, best case, imprisoned for a very long time. That was little comfort, Abdullayev says, during his days watching how his family was suffering or his own nights spent reliving his torture in dreams. Still, he felt proud to have started work he hoped others would be inspired to continue. Other imprisoned Uzbek journalists have been freed, news websites blocked by the government are now readable again, and foreign media can apply for credentials.

There's a lot left to do. In 2019 a United Nations committee reviewing Uzbekistan's record on civil and political rights found that torture and related abuses of state power were still taking place "by or with the consent or acquiescence of public officials." That is to say, the security services remained old-school, and so did their grudges. In August 2020, while Abdullayev was a fellow at the American University of Central Asia in Bishkek, Kyrgyzstan, the Uzbek government freshly accused him of sedition, claiming he'd been writing anti-government screeds on Telegram and Facebook under the name Qora Mergan (or "Black Sniper"). The Kyrgyz government arrested Abdullayev and extradited him to Tashkent.

This time, however, the reporter's stay in state



Abdullayev in Berlin

custody lasted only two days, because Qora Mergan had continued posting while he was locked up. As an apology, Mirziyoyev gave the journalist a three-bedroom apartment in Tashkent. To everyone's surprise, Abdullayev accepted it, and even hailed the president's generosity. But he didn't stick around to enjoy it. A few months later he accepted a fellowship with Reporters Without Borders, the press freedom group, and relocated to Berlin, leaving his wife, kids, and elderly mother behind.

The rest of the family has had a tough time in Tashkent, even with their new flat, says Katya, Abdullayev's wife. The couple's two daughters are living there with her, while a college-age son is studying in Turkey. Occupying the apartment as a measure of rapprochement with Mirziyoyev has cost them old friends and allies, yet they don't quite feel out from under the eye of the regime, either. Guests rarely visit. They'd been expecting to start a new chapter in Europe, but Abdullayev, who completed his time with Reporters Without Borders late last year, now says he plans to return to Uzbekistan instead. He's not sure quite when.

In Berlin, Abdullayev has mostly been working on his autobiography, tentatively titled *Secretly Against Secrets*, and a book advocating for reforms to the Uzbek constitution that he's calling *Wake Up*. This doesn't sound like the to-do list of a man who's been cowed, but on the second afternoon I spend with him, I notice how tired he looks, how defeated. It's tough, he says, to live alone in a tiny apartment in a country where he doesn't speak the language.

On YouTube, Abdullayev's Fakt va Fikr videos are also often focused on constitutional reforms, with titles such as "Seven Methods for getting rid of Corruption, recommendations for the President." (High on the list: Ditch the New Constitution provision about making presidential terms longer.) Abdullayev isn't too shy to criticize Uzbek opposition leaders as well for what he describes as failures to stand up for the Uzbek people. Salih and his comrades, he says, put too little stock in popular protests and electoral challenges, making it too easy for a dictator to seize and maintain power.

Abdullayev's own legacy has become a bit of a Rorschach test for reformers in Uzbekistan. Supporters who saw his work change minds—and bring some measure of accountability to elites long thought untouchable—argue that he's done more to advance a democratic agenda in the country than many opposition politicians. Those uncomfortable with his casual relationship to the truth, or furious to see him accept that apology apartment, say he's become a tool of the regime. "His behavior has become detrimental to the independent journalism of Uzbekistan," says Nadejda Atayeva, president of the Association for Human Rights in Central Asia. "I have lost my confidence in him."

Abdullayev is adamant that he's not merely some government asset. "I'm on no one's side," he says. Yet his position is a lot murkier than it was when he was anonymous, and in this way, the regime may have won. As Haqnazarov, Abdullayev could be what anybody wanted him to be. Without the mask, he's just a man again. ■

LOST TREASURE

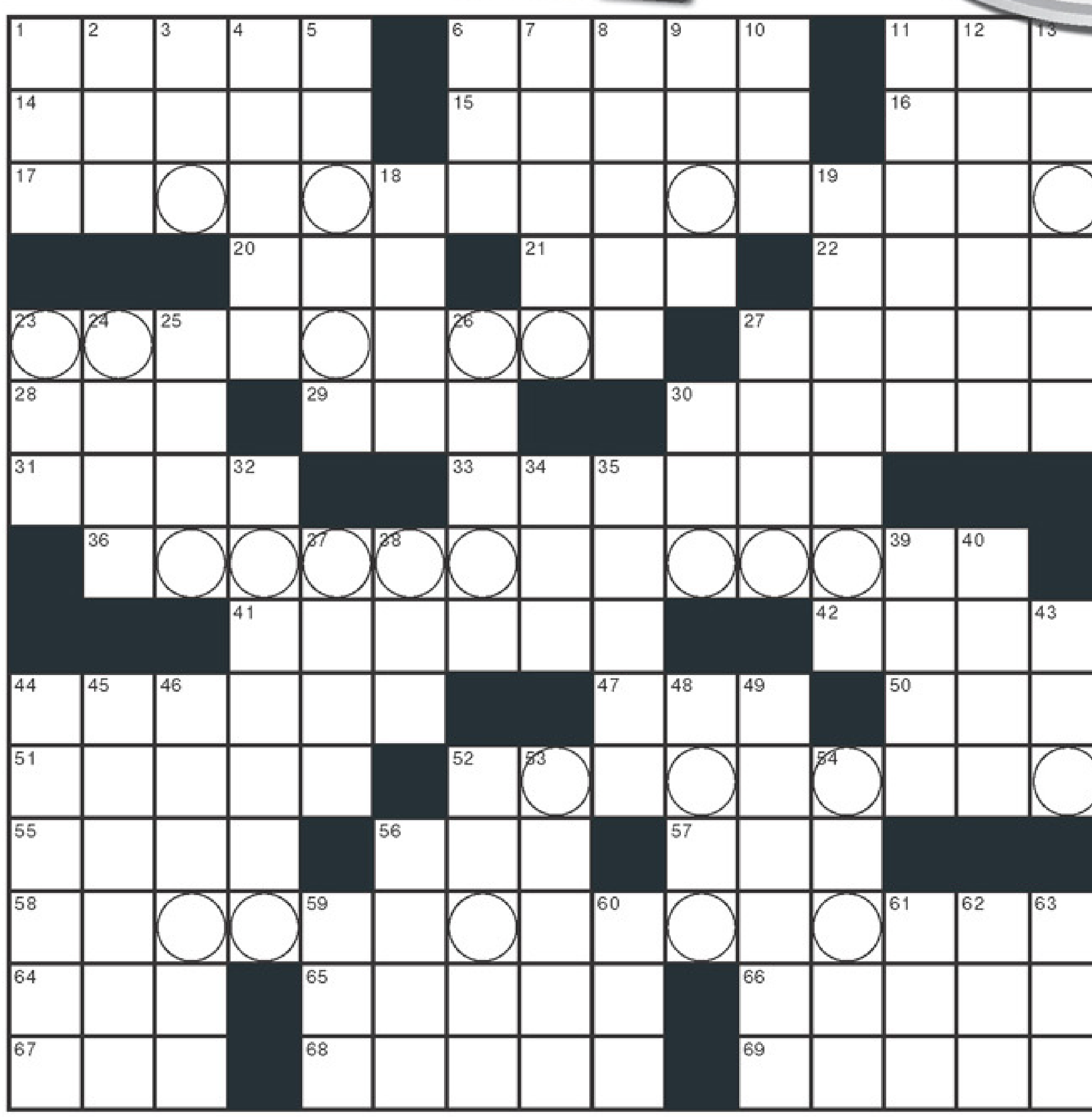
BY David Kwong

DETECTION

There's been a burglary at the auction house, and the precious loot has been stashed away in hidey-holes. In the long answers in this crossword, see if you can recover what's been stolen

ACROSS

1. Speaks with a gravelly voice
6. Half of a '60s quartet
11. Wander aimlessly
14. Seashore nook
15. Takes suddenly
16. She, in Lisbon
17. Famed American showmen
20. François's friend
21. Youngest of Alcott's March sisters
22. Magazine publisher Condé
23. Where to make car payments?
27. 1980 Dom DeLuise movie directed by Anne Bancroft
28. Hearty mugful
29. Biathletes do it
30. Rack-and-___ steering
31. One who uses the Force
33. Shepherd of *The View*
36. Exploit or manipulate the rules to one's advantage
41. Equivalent to F
42. Sounds in pounds
44. Loss of heart
47. Drink for a caroler, perhaps
50. ___ Tomé and Príncipe
51. Dodges discontinued after 1990
52. Local assessment
55. Federal agent
56. Mme., in Spain
57. Geologic time division
58. One who believes in spirits
64. Tempest ___ teapot
65. Flows slowly out
66. *Mr. Palomar* writer Calvino
67. Youngster
68. Overly overweight
69. Drew on the page?



DOWN

1. Tease in jest
2. *Knives Out* actress de Armas
3. Professional camera type: Abbr.
4. Code or colony preceder
5. Totally puzzles
6. Rival to the new LIV tour
7. Co-founder of Desilu Productions
8. *Top Chef* host Lakshmi
9. Women's soccer star Wambach
10. Source of nine-digit IDs
11. Frozen Italian treats
12. Swedish DJ with the hit *Heroes (We Could Be)*
13. Ohio city that was the home of the Wright brothers
18. Exploit, informally
19. Craziness
23. NBA's Gibson
24. Fashionable Cassini
25. Swan's mate, in myth
26. Host Tyler of *Whose Line Is It Anyway?*
27. Coniferous trees
30. Inquire nosily
32. *Let It Be* song featuring George Harrison
34. Part of HMS
35. Sports channel that shows college games
37. Those ladies, in Tijuana
38. Your, old style
39. It's right on the map
40. Film-rating org.
43. Fenway team, familiarly
44. Take a pointer?
45. Prefix with compromised
46. Speak sharply to
48. Long, single take, in filmmaking
49. Brooklyn-Queens subway, familiarly
52. Pet rocks, once
53. Novelist who wrote *The Gravedigger's Daughter*
54. 1945 "Big Three" conference site
56. Hoity-toity type
59. Pal of Pooh and Piglet
60. Not abstain
61. John, in Scotland
62. Capital of Utah, briefly
63. Item in Santa's bag

SOLUTION ON PAGE 1

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